Annual Report 2023

DELIVERING EXCELLENCE, EXPANDING HORIZONS

odfjell drilling

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2023 Highlights

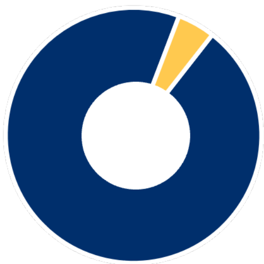
Revenue
USD 732m
↑ 12.6% on 2022

EBITDA
USD 329m
↑ 6.8% on 2022

Liquidity
USD 294m
↑ 113% on 2022

Dividends
USD 42.6m
↑ $0.06/share per quarter on 2022

Backlog
USD 2.1bn



■ Firm contracts
■ Priced options

1,563
Employees as of end 2023

97.3%
own fleet utilisation

8
rigs deployed on contracts

0
serious incidents

29%
women in leadership positions

4%
CO_2 intensity reduction per well

An Interview with our CEO

In an interview with Kjetil Gjersdal, CEO of Odfjell Drilling AS, we find out what has happened in 2023 and what he sees in the future for the Group.

Q: One full year as CEO Kjetil, how would you describe it?

“Busy. Very busy.

“For many reasons, this has been a landmark year for our Group and has placed us in a strong position from which we can continue to grow and develop in to 2024. We set a few important goals at the start of the year. First, safe and efficient operations is priority number one. Always. Thereafter, we were going to refinance the Group on favourable terms, add valuable contract backlog and eventually come into a position to start paying dividends. I am pleased to say that we delivered on all. "

Q: How has this year compared against previous years?

“One major change is that the market has improved from last year.

“For so long now, I and so many of my peers and colleagues at various conferences and panels have spoken about the lack of investment in our sector, as well as a future lack of supply for tier 1 semi-submersible drilling units, like those in our fleet.

“I think this year, that has become a reality and I would say its come faster than some of us expected.

“Looking back to late 2022, contracts with day rates above $450k per day seemed far away, however this year we have seen this threshold broken by ours and our peers' units multiple times.

"Demand continues to be strong and supply is struggling to meet it.

“Now when I speak to those same peers and colleagues at conferences and panels, we are talking about this being the start of a longer and sustainable upcycle for our industry.”

Q: What’s caused this, and what is the effect?

“In contrast to some expectations, mature hydrocarbon basins are seeing investment, with new fields being developed, creating opportunities to develop lower carbon energy. We are also seeing the emergence of other areas, such as Brazil, Canada, Australia, offshore Mexico and Namibia; creating further demand. We also see production decline here in the North Sea, which will have to be replaced.

"The impact on the Group is higher day rates, and therefore higher contract values and the value of our units increasing. This greater momentum in the wider industry really helped us to secure our refinancing.

“With our ambition of being the number one drilling operator, there is always work to be done to constantly maintain this level of service.”

Q: What is the background to the refinancing, and what does it mean for the Group?

“Like many businesses such as ours, we have used debt to facilitate growth and much of our debt facilities were due to mature during 2023 and 2024. As a result, we believed it was necessary to refinance this debt and also change the terms on these debt obligations.”

"Debt refinancing was one of our key focus areas for 2023, and we were delighted to secure a USD 390 million secured bond, as well as bank facilities of USD 497 million, including a Revolving Credit Facility of USD 175 million, during the first half of this year.

“The value of these facilities and the flexibility of the terms we secured is significant and allow us to continue to comfortably service our debt obligations whilst also returning capital to shareholders, either via a share repurchase or via dividends which we have already started paying. The refinancing also gives our business increased liquidity and flexibility for growth opportunities.

“The position, confidence and enthusiasm now held by many stakeholders in our business owes a lot to the securing of this refinancing."

Q: What else have you been focusing on this year?

"Delivery, delivery, delivery! The most important focus area for our business will always be on providing the best in class operations in a safe manner to our clients.

“I am pleased with what we achieved. During 2023, we stepped up on our operational record. The Deepsea Stavanger alone drilled 13 wells during 2023, highlighting the exceptional capability of our employees and of the unit.

“It was also very pleasing to see that both the Breidablikk and Alvheim developments (operated by Equinor and Aker BP respectively) began production earlier than forecasted.

“It’s really exciting to be supporting the development of these fields with the Deepsea Aberdeen and Deepsea Nordkapp and their crews, and we look forward to completing further wells on these developments in due course."

Q: We had eight units operating during 2023 for the first time ever. How was that?

“As you would expect, there were some growing pains, but I believe we did ourselves proud.

“It says a lot about our Group that we have been able to grow so quickly and be so agile. This has come about as a result of a lot of hard work from our dedicated employees.

“Bear in mind, not only were the Hercules, Deepsea Mira and Deepsea Bollsta new rigs to us, but they were also drilling at the limits of their capability. That is no easy thing to accomplish.

“Not only did we have to get the Hercules, Deepsea Mira and Deepsea Bollsta operational and working in accordance with Odfjell Drilling standards, but we also had to set new industry records at the same time to get the job done safely and efficiently.

“We proved that we can do it though, and every single employee can be very proud of how we have delivered this year. Really proud."

Q: At the 2022 end of year town hall meeting, you highlighted our QHSSE record needed to be better. How are we doing?

“I will always say that our QHSSE record needs to be better. Our commitment to the safety, health and happiness of our people absolutely must remain at the absolute pinnacle of our industry. Period. I will never stop saying that.

“Firstly, if we are to continue to be recognised as the partner of choice for our clients, we must also be the employer of choice for current and future employees. To attract and retain the best; we have to be the best.

“Secondly, it is worth bearing in mind that high levels of QHSSE are not always an easy thing to deliver in practice. Creating a safe and healthy workplace takes time and dedication. You can’t cut corners and take risks. Ultimately, the safer we are and the less incidents we have, the faster and more efficiently we drill. It really is that simple. We wouldn’t be Odfjell Drilling if we didn’t have this focus.

“I would like to particularly highlight that Deepsea Atlantic has had no reportable incidents or injuries throughout the whole of 2023 which is a real credit to all the team.

“As always though, there is more work to do.”

Q: What is your favourite memory of the year?

“The 50th anniversary party! It was a chance to look back at the history of the Group and acknowledge how far we have come and how much we have to be proud of. It was also a great chance to see so many colleagues together celebrating."

Q: What is next for Odfjell Drilling?

"Firstly, solid execution of the SPS for Deepsea Atlantic and for Deepsea Aberdeen will be important.

"Then we have to continue our focus on our carbon reduction strategy. It's not just important for us, but it makes good business sense as well as helping the planet.

"This report also reflects that, in that it is our first integrated annual and sustainability report. I think this emphasises the importance we place on developing in that area.

"Otherwise, what is next for Odfjell Drilling? I guess that’s the exciting bit, we have more options and flexibility than we have had for years for growth.

“New rigs or businesses could be considered, but the acquisition has to be accretive. Our business as it stands is exceptional, and it has growth already secured, with our fleet moving to higher value contracts and our existing fleet providing flexible solutions to our clients. Any acquisitions would have to be a credit to our Group and our name, adding value to our Group, rather than just growing it for the sake of growing it.

“We have started paying dividends to shareholders this year, which is really important. This is something we want to keep doing, hopefully increasing in the future.

"Looking ahead, our own fleet is entirely secured up to 2026 and beyond for some units, and is going to work on some of the most challenging developments in some of the toughest conditions on the planet.

"We enter 2024 with strong revenue generation ahead of us. This will be the year where we start rolling from legacy day rates over to market rates. We are well financed, have good liquidity and are supported by an exceptional workforce and asset base, working in an industry which is on the up.

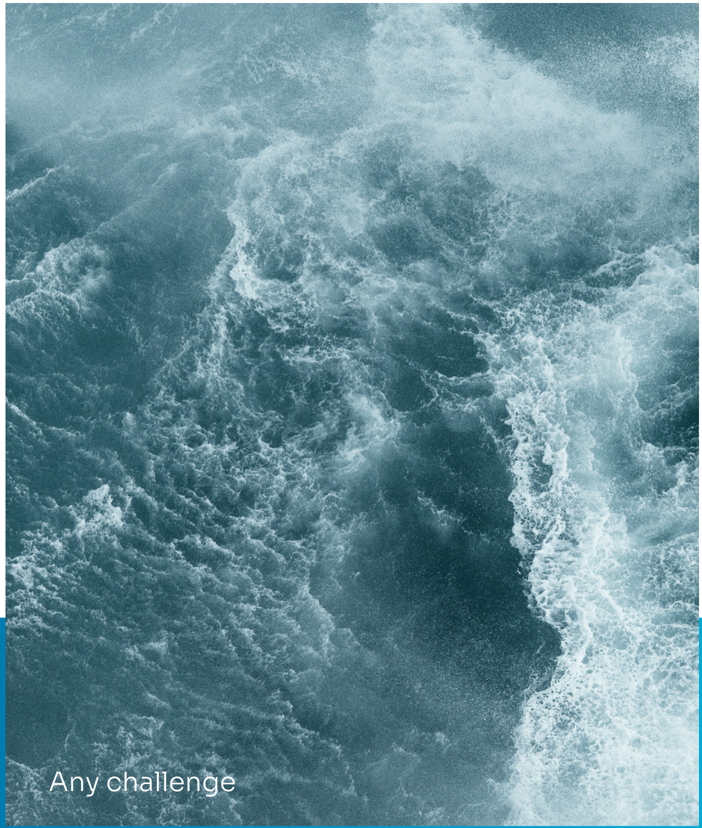
“We are very excited about where this will take us and to see what Odfjell Drilling looks like as it enters 2025."

Q: Any final words?

“I really feel like our Group is entering an extremely exciting period. Our industry appears to be at the start of a sustained upcycle; not a short blast of increased day rates, but the start of a slower sustained period of higher day rates which works for us, our peers and our clients.

“There is a long way to go, and this year we have a lot of key events coming up, like the SPS programs which are a key activity for our business, but one we are well versed in. We will execute these and get through them with the same kind of “can-do” attitude that Odfjell Drilling employees’ exhibit in operations, so the future looks very bright.”

Our Business



The best people

We search for, invest in and retain people of the highest quality and competence. Our people are motivated, ambitious and focused on delivering the best standards and services.

It is because of our employees' focus on challenging themselves and meeting the challenges of our clients, that we can deliver extraordinary solutions and continue to push the boundaries in what our industry can deliver.

The best rigs

Our fleet consists of eight of the highest specification drilling rigs globally and are recognised as being able to operate in some of the harshest conditions in the world on some of the most technically challenging projects.

Our four owned units are recognised as being some of the most in demand units, and have an average of over two and a half years of firm contract backlog.

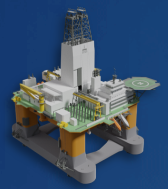
Enabled by our company culture, our people and our assets we have been drilling the exceptional...

...for over fifty years

Odfjell Drilling at a glance

Own Fleet

Deepsea Stavanger



Deepsea Aberdeen

Deepsea Nordkapp

Deepsea Atlantic

External Fleet

Deepsea Mira

Deepsea Bollsta

Deepsea Yantai

Hercules

Well Positioned for the Future

- Harsh environment market leader with exceptional operational track record, deepwater and ultra deepwater capabilities
- Own fleet entirely sold out with firm contracts until at least 2026 at increasing day rates
- Positive market dynamics, expecting to be at the start of a robust upcycle
- Strong balance sheet and liquidity position following refinancing, with no major maturities until 2028
- Exceptional work force, determined to push the boundaries of our business and industry
- Quarterly Dividends being paid to shareholders, with ambition to increase in the medium to long term

Operations

Deepsea Aberdeen

Deepsea Aberdeen was on contract in 2023 with Equinor, on the Breidablikk and Svalin fields, offshore Norway. It has been working with Equinor almost exclusively on the Breidablikk field since Spring 2022. As a result of the strong performance from everybody involved in the development, it was announced in 2023 that Breidablikk had come on stream ahead of schedule. Further wells have now been scheduled which result in Deepsea Aberdeen continuing its work on Breidablikk until at least the second half of 2025.

Deepsea Atlantic

During 2023, the Deepsea Atlantic was drilling on the Johan Sverdrup Phase II development, where it will continue until moving onto a new contract following its planned Special Periodic Survey ("SPS") mid 2024. As part of its SPS program, the Deepsea Atlantic will be upgraded with a new blow-out-preventer ("BOP") which will support the unit as it begins its deepwater campaign offshore UK.

Deepsea Nordkapp

The Deepsea Nordkapp was working with Aker BP throughout 2023 on the Alvheim Development. Deepsea Nordkapp also successfully completed it's 5-year SPS in December of 2023, whilst entirely on operation and at sea; the first time this has been achieved in the North Sea. The Deepsea Nordkapp will continue to work with Aker BP until at least 2027.

Deepsea Stavanger

During the year, the Deepsea Stavanger was working on various exploration projects for Equinor at an exceptional pace; drilling faster than had originally been anticipated. The Deepsea Stavanger has firm contract commitments with Equinor until the end of 2024, whereafter it will move onto a new 5 year contract with Aker BP.

Deepsea Bollsta

Having completed re-activation work in 2022, Deepsea Bollsta was working throughout 2023 for Shell, offshore Namibia. Deepsea Bollsta will continue to drill with Shell until mid-2024.

Deepsea Mira

In early 2023, the Deepsea Mira completed re-activation work before moving to Namibia to begin a multi-well exploration campaign for TotalEnergies. The Deepsea Mira will continue to work offshore Namibia for the remainder of the year.

Deepsea Yantai

The Deepsea Yantai worked for multiple operators offshore Norway including OMV, DNO Norge AS, Neptune Energy Norge, Var Energi and Wellesley Petroleum. The Deepsea Yantai will continue to work offshore Norway during 2024 and has a firm backlog which extends into Q2 2025.

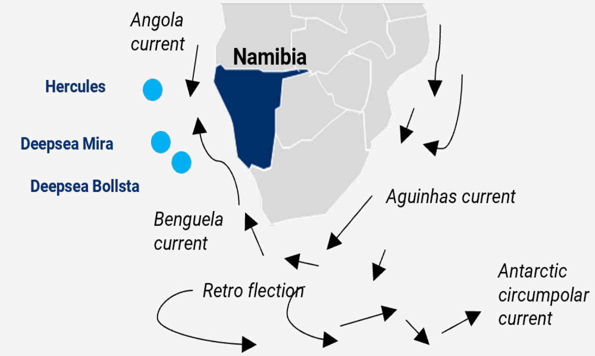
Hercules

The Hercules completed its SPS in Q2 2023 before being deployed to offshore Canada for ExxonMobil. The unit subsequently began a drilling campaign for Galp Energia in Q3 2023 also Offshore Namibia. Hercules will return to Canada to drill for Equinor during 2024.

Drilling Deep Offshore Namibia

Offshore Namibia presents many challenges. Firstly, the unpredictability of the weather and currents mean that units have to be flexible and able to shoulder significant waves and swells quickly.

Secondly, the hydrocarbon targets offshore Namibia are at water depths which range from 2,000 meters to 3,000 meters, towards the very limit of the capabilities of drilling units.

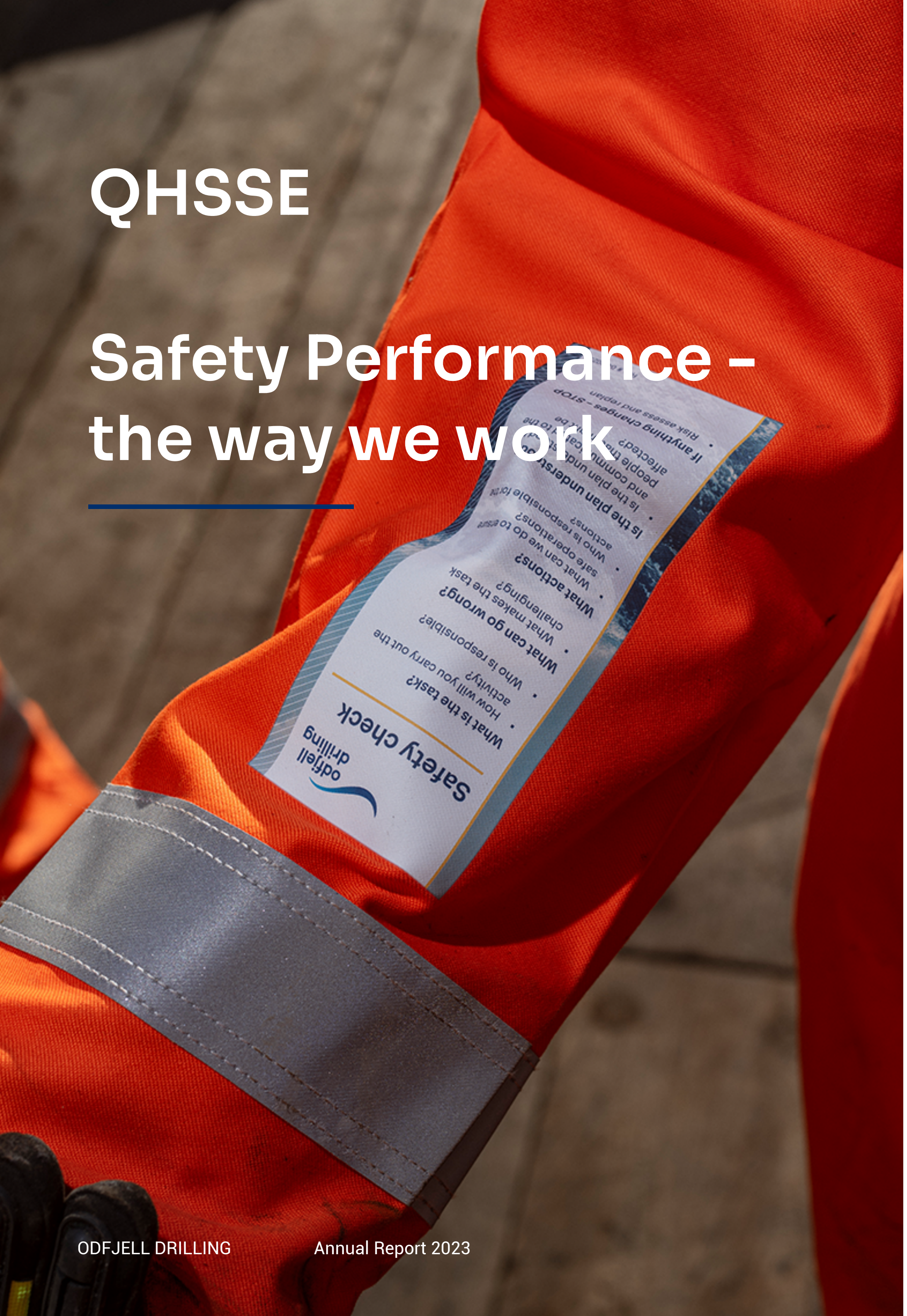


Despite this, the Deepsea Mira, Deepsea Bollsta and Hercules have all drilled successfully in the area since H2 2023, without any detachments or safety incidents.

Once it had completed the 3,000 metre Venus 1X well, the Deepsea Mira also moved to its next drilling location with the blow-out preventer string still suspended at 3,000 metres. Increasing the efficiency of mobilisation to its next drilling location.

With our Namibian drilling campaigns, Odfjell Drilling is proving the industry that our semi-submersibles can drill anywhere. Any country. Any weather. Any challenge.

Average depth of the North Sea (95m)
Deepest ever Scuba Dive (332m)
Troll Platform (332m)
Maximum depth in North Sea (700m)
Burj Khalifa (829m)
Sunlight does not penetrate (1,000m)
Ben Nevis (1,345m)
Deepest Submarine cable (1,600m)
Grand Canyon (1,830m)
Average Norwegian Sea depth (2,000m)
Top-hole depth of Cullinan -1X well (2,135m)
Deepest Oil Production Platform (2,450m)
Galdhøpiggen, tallest Mountain in Norway (2,469m)
Top-hole depth of Venus 1X well (3,090m)



QHSSE

Safety Performance – the way we work

> Through a relentless pursuit of the very best QHSSE standards and continuous self-reflection, we continuously enhance our business to ensure high quality deliveries for our employees and clients around the world. This year, we have had an additional challenge of new units and new international operations, which have resulted in many new employees being onboarded and included in the 'Odfjell' way of working. I am delighted by our response to this challenge and the results we have demonstrated across our business.
>
> **Janike Myre**
> SVP QHSSE

QHSSE Management

Safety performance continues to be our top priority and despite improvements achieved through 2023, our safety performance journey continues.

Our ultimate objective is to avoid major accidents which calls for continuous and purposeful commitment from all of us; in all we do.

Odfjell Drilling promotes a QHSSE culture based on competence, commitment, mutual respect, empowerment and involvement. We work continually to maintain and develop the highest quality standards for our products and services, to protect assets and to prevent harm to people and the environment. Leadership, strong understanding of risk and a continuous focus on QHSSE performance are essential in achieving this. QHSSE is a management responsibility starting with commitment from the top level, cascaded down through line management. The Plan-Do-Check-Act cycle is an integral part of our work culture to ensure continual improvement. We believe that risk understanding and strong barrier management are fundamentals for good safety, and increasing awareness of these will be a key priority in the coming years.

QHSSE programme 2023

Odfjell Drilling's Annual QHSSE program is fortified by comprehensive QHSSE action plans, incorporating inputs such as audit results, Key Performance Indicator ("KPI") status, data analyses, risk registers, environmental aspects, and impacts registers, and management reviews, as well as insights from authorities, clients, and the industry. This holistic approach ensures a robust and proactive strategy for Quality, Health, Safety, Security and Environment. The QHSSE programme includes the main activities, objectives and KPIs to prioritise and measure during the year.

Health and Safety

Odfjell Drilling prioritises maintaining the highest safety standards and safeguarding the well-being of employees and workers in the value chain. Our culture of cooperation with safety delegates both offshore and onshore, ensures effective communication and collaboration. Safety delegates play a pivotal role in reporting concerns to management, contributing to our commitment to occupational health and safety.

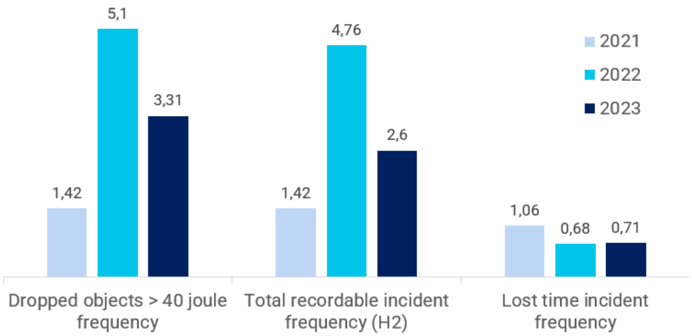
Worker participation, driven by the knowledge and experience of our workforce, is fundamental to safe operations. Odfjell Drilling's safety initiatives focus on understanding and learning from human factors, with an emphasis on safety leadership and proactive responses to errors. Our wellbeing campaign, launched in December 2022, underscores our commitment to employee well-being and is an initiative which we will continue to develop. Read more about our QHSSE management approach and performance in the Sustainability Statement.

Health and Safety Performance

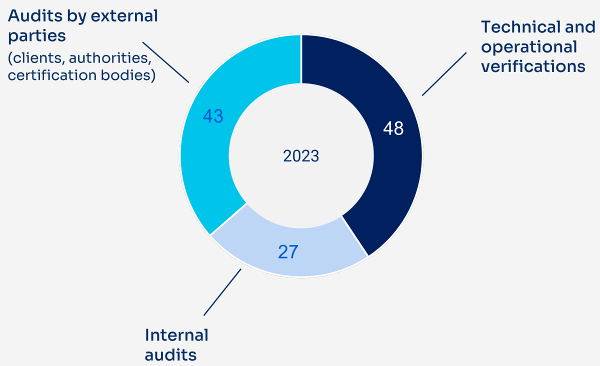
All incidents are reported and classified according to the Odfjell Drilling incident classification matrix. Based on the actual or potential consequences, incidents are subject to a thorough investigation process. Corrective actions are implemented based on results from incident investigations and experience transfer carried out to prevent recurrence. Experience and learnings from 2023 are mainly based on human and organisational factors and the importance of daily risk management and supervision of operations.

Performance evaluation process

- monitoring and analysing KPIs and trends
- reviews, investigations, experience transfers and learning from incidents
- evaluation of effectiveness of corrective and preventive actions
- client satisfaction feedback system
- internal audits, verifications, and inspections to monitor and measure compliance with the CMS
- management reviews to evaluate status of the CMS and health and safety, and to address improvement areas



Audits and verifications 2023



Security and Cyber

Odfjell Drilling constantly places focus on safeguarding its personnel, assets, and business against potential security threats, with a particular focus on cyber security. In an era where digitalisation is transforming the way industries operate, cyber security has become a paramount concern. Odfjell Drilling's proactive approach to addressing these concerns places it at the forefront of safeguarding critical offshore assets. This commitment is ingrained in the responsibilities of line management, emphasising that the well-being and protection of employees take precedence in all business activities.

To realise this commitment, the Group engages in thorough risk analysis to identify and effectively manage security risks. Proactive measures are systematically implemented to minimise risks to a level deemed reasonably practicable. Adequate security training is imparted as needed, ensuring that employees, consultants, and contractors are well-versed in security protocols. Facilities, systems, and information are secured, and any security incidents undergo thorough investigation, with criminal acts promptly reported to law enforcement. Furthermore, a culture of awareness is fostered among all stakeholders, promoting personal responsibility for security matters and ensuring compliance with the laws of the countries where Odfjell Drilling operates and conducts business.

Class notation: Cyber Secure

Deepsea Aberdeen has been awarded the DNV class notation "Cyber Secure (+)", marking a significant leap forward in ensuring the safety and reliability of its operations. Embracing the digital era, Deepsea Aberdeen has demonstrated its commitment to cyber security, solidifying its position in the offshore industry. The Cyber Secure class notation reflects the rig's robust cyber security measures, providing a shield against potential cyber threats and reinforcing the integrity of its critical systems. The significance of this milestone extends beyond Deepsea Aberdeen; it sends a clear message that cyber security is not just a checkbox but a continuous journey of vigilance and improvement. As the rig continues to operate at the intersection of technology and tradition, its commitment to cyber resilience positions it as a model for the other rigs in the fleet.

Sustainability Statement

The Sustainability Statement presents Odfjell Drilling's governance and performance related to material sustainability topics, including detailed performance indicators and metrics. This section presents identified the Group's principles for sustainability reporting which form the basis for preparation of the statement.

Principles for sustainability reporting

The purpose of our reporting is to provide stakeholders with a fair and balanced picture of relevant aspects, engagements, practices, and results for 2023. The Sustainability Statement is prepared on the same consolidated basis as the financial statements. The basis for preparation of sustainability information that relates to business relationships in non-consolidated entities, including Odfjell Drilling's upstream or downstream value chain, is clearly identified as such. The Sustainability Statement is approved by the Board of Directors (the "Board").

Reporting standards

This statement has been prepared in accordance with the Global Reporting Initiative ("GRI") 2021 Sustainability Reporting Standards and its GRI 11 Oil and Gas Sector including the Sustainability Accounting Standards Board's ("SASB") Oil & Gas – Services standard. This Sustainability Statement shall be read together with the GRI Index to get a full overview. We have implemented the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"), providing our shareholders and other stakeholders with information on our climate-related risks and opportunities. See the reference index on our website.

In 2023, Odfjell Drilling began preparing for the EU Corporate Sustainability Reporting Directive ("CSRD") and the applicable European Sustainability Reporting Standards ("ESRS"), by integrating the sustainability report and the annual report and restructured its sustainability disclosures as applicable. Odfjell Drilling will report in compliance with the implementation schedule of the CSRD and applicable ESRS in the 2024 annual report.

The new reporting requirements mean increased resources, skills and tools are required for capturing and reporting data.

Assurance

We recognise that the quality of our reported sustainability data can be affected by inherent limitations in accuracy of raw data, calculation and estimation procedures, including assumptions for such purposes, and in manual transfer of data. We strive to achieve data quality in line with expectations set out in GRI 101 "Reporting principles" and continue our work to improve internal reporting and control processes in line with The Committee of Sponsoring Organizations ("COSO") framework for internal control. The Sustainability Statement has not been assured by independent third parties, but it will be subject to limited assurance for the year 2024.

Sustainability approach

Sustainability is integrated into our daily operations and our processes, including strategy development, risk management and Group performance.

The ultimate responsibility for sustainability performance lies with the Board, which decides on strategic direction and policy commitments.

Our sustainability strategy outlines key responsibilities for integrating sustainability into both our strategic planning and daily operations. Our sustainability approach is both ambitious and practical, striving for realistic and attainable goals. In preparing for the CSRD, the Group did begin to restructure its sustainability governance in 2023, to integrate non-financial ESG reporting with financial reporting. Both financial and non-financial reporting are overseen by the Chief Financial Officer Odfjell Drilling AS ("CFO").

Our transparent Environmental, Social and Governance ("ESG") initiatives and reporting mechanisms, aim to foster trust among our stakeholders, including employees, financial institutions, and government bodies. By framing sustainability within our ESG framework, we acknowledge and address associated risks, while showcasing our management of these risks, and our ability to identify opportunities. The sustainability strategy is anchored on level 1 in the Company Management System ("CMS"). The purpose of the procedure is to align and link the Group's ESG effort and ambitions.

Sustainability governance

The governance model outlines clear responsibilities, with sustainability considerations being considered by the Board, which receives regular updates and engages in discussions as needed. From 2024 the Board will receive quarterly updates as our sustainability performance will be integrated to our quarterly reports.

Key functions such as corporate HR, QHSSE, and compliance play important roles in overseeing various aspects of sustainability, from employee well-being to environmental impact mitigation.

The formation of a Sustainability Forum in 2023 underscores our commitment to coordinated ESG efforts, facilitating the development and execution of our strategy and initiatives across the organisation.

The Vice President ("VP") of Sustainability is responsible for the development and implementation of our Group's sustainability strategy, reporting to the CFO, and collaborating closely with corporate and Group level functions. Governance responsibilities are distributed among the Board of Directors, Chief Executive Officer Odfjell Drilling AS ("CEO"), Executive Management Team, the Sustainability Forum, and dedicated task forces, ensuring comprehensive oversight and execution of sustainability initiatives.

HOW WE MANAGE SUSTAINABILITY

Prioritising issues that matter

This materiality assessment draws on insights from Odfjell Drilling's sustainability and subject matter experts across group functions, encompassing areas such as climate, environment, social responsibility, health and safety, diversity, inclusion and belonging, compliance and enterprise risk management.

Stakeholder perspectives are integral to the materiality assessment, which undergoes annual updates. Odfjell Drilling's group functions and core operations aggregate insights gathered through engagements with stakeholders, interactions with external subject matter experts, and feedback from users of Odfjell Drilling's sustainability reporting.

Assessment of impact materiality considers both actual and potential sustainability impacts, stemming from Odfjell Drilling's activities and business relationships across the upstream and downstream value chain. This evaluation aligns with recognised standards, such as the GRI Standards and OECD Due Diligence Guidance for Responsible Business Conduct.

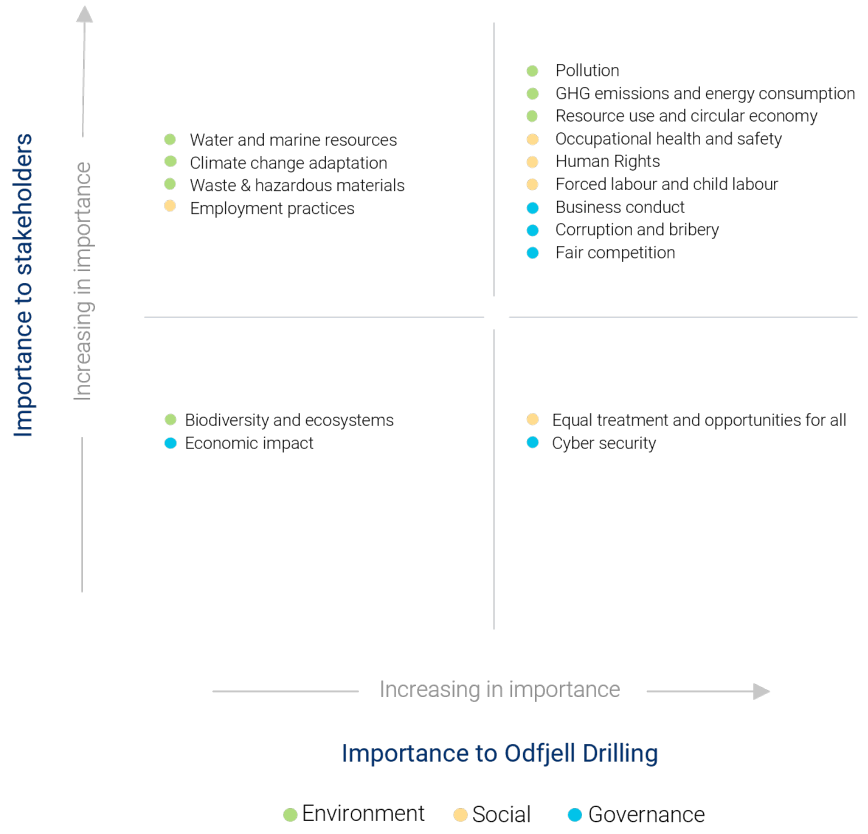
Similarly, financial materiality evaluation examines the risk of negative reputational, financial, or commercial consequences associated with sustainability topics, while also recognising potential opportunities for Odfjell Drilling.

Odfjell Drilling has identified 15 topics considered material and two topics considered important to its business impact, utilising frameworks such as the GRI 2021 Standard and SASB Oil and Gas Services. The significance of these impacts is determined through stakeholder feedback, internal subject matter expertise, and alignment with the group's business strategy and enterprise risk management process. All sustainability-related impacts, risks, and opportunities considered material for stakeholders are detailed within the document. Each material sustainability topic has dedicated chapters in the sustainability statement, providing context, describing impacts, risks, and opportunities, and disclosing governance, strategy, policies, metrics, and targets associated with them.

Looking ahead to 2024, Odfjell Drilling is evaluating its material sustainability-related impacts, risks, and opportunities in accordance with the European Sustainability Reporting Standards and the concept of double materiality.

Stakeholder engagement

Odfjell Drilling continuously engages with its stakeholders to deliver on commercial, financial, environmental, and social targets, while fostering mutually beneficial relationships. Odfjell Drilling seeks to understand the unique value drivers of each group, by involving stakeholders to evaluate both positive and negative impacts from our activities. This approach ensures that diverse perspectives contribute to informed decisions, aligning with the Groups objectives



Stakeholders include anyone who may influence or be affected by the Group's operations. The Group engage with representatives of affected stakeholders, such as unions and non-governmental organisations, suppliers, business partners, clients, and industry associations. In addition, the Group actively engage with users of the Sustainability Statement, including authorities, banks and investors. Odfjell Drilling also partner and engage with sustainability experts from academia to gain insight on our way to net zero drilling and other sustainability commitments and strategies.

The Group prioritise key stakeholders based on the overall impact that they have, making engagement with them an important source of insight for strategic decision-making and alignment. More detailed information on key stakeholder groups, engagement methods, interests, and outcomes, see the stakeholder dialogue table.

Environmental Impact

Material Topics	Target	Indicator
GHG emissions	40% reduction by 2026 70% reduction by 2035 Net Zero by 2050	Scope 1, 2, 3 CO2 emissions, fuels and energy consumption
Water and effluents	Zero serious spills Bilge water effluent to sea <15ppm oil in water	Number of serious spills
Waste	Increased level of recycling	% recycling

Impacts of climate change, coupled with offshore oil and gas industry operations, affect the environment and biodiversity. Odfjell Drilling is committed to reduce the environmental impact from our operations. The foundation to mitigate environmental impact is anchored at corporate level in our Health, Safety, Environmental ("HSE") Policy and annual QHSSE Programme.

Operational control and environmental care

Odfjell Drilling does not hold production licences and are not involved with opening new areas for oil and gas production, but our operations impact biodiversity through emissions to air, spills and discharges to sea, waste and effluents. As a result, we have a role to play and work systematically to reduce our environmental impact and protect biodiversity.

The Group's operations have processes and activities that systematically identify environmental aspects and impacts. Significant environmental aspects form the basis for establishing environmental management procedures, controls, continuous improvement measures and strategic action plans. These are documented in environmental aspects and impacts registers for each rig. The life cycle perspective is considered in establishing such registers, e.g. purchasing from a local vendor will reduce environmental impact from transportation.

Our commitment to environmental management is reflected in our ISO 14001 certification. The process for recertification involves audits, with one being conducted in January 2024.

Establishment of environmental controls

Controls are established to reduce environmental impact from activities that may result in spills and discharges to sea. Such controls are technical barriers (e.g. closed drain), maintenance programmes, procedures and, measuring and monitoring programmes. Events that can lead to accidental spills and discharges are identified and emergency response plans for operations within our control are established. Preventing spills and discharges to sea are anchored in the CMS, QHSSE programmes and action plans. Spills and discharges to sea are managed through the process of establishing and maintaining environmental aspects and impacts registers.

Climate Change risk and opportunities

Operating in the oil and gas sector, we understand that climate risk poses challenges to our operations and stakeholders. While the future impact of climate change is uncertain, we acknowledge the importance of addressing and adapting to its effects. We encounter both risks and opportunities as we strive to reduce our climate impact and align with future energy demand. See the Board of Director's Report for risks. An opportunity comes from the fact we specialise in harsh environment, meaning we are well equipped to service areas with deteriorating weather conditions. Our net zero emission drilling projects make us a preferred supplier as the least carbon intensive rig provider. Drilling for CO_2 storage wells is another opportunity.

Basis for preparation and limitations

The basis for calculation and presentation of environmental metrics is described in the methodology statement, including information on whether the metrics are measured directly or estimated based on sources such as third-party data or sector averages. Metrics are collected from Odfjell Drilling's fleet relying on local management systems and are typically based on process data systems, measurements, calculations, and purchasing data. Controls are performed to ensure that the information is complete and accurate. However, the scope of the Sustainability Statement and the absence of generally accepted reporting standards and practices for certain data may result in uncertainties in the reported information.

EMISSIONS REDUCTION

Navigating the path to net zero emission

We are committed to delivering excellent drilling services to our clients, while aligning with the Paris Agreement, by achieving net zero emission drilling. We have integrated our comprehensive four-phase emissions reduction roadmap into our company strategy, with a strong focus on energy efficiency as a key lever. We are resolute in our pledge to play a central role in reducing greenhouse gas ("GHG") emissions across our entire portfolio, including our value chain and in support of our clients' emission reduction policies and targets.

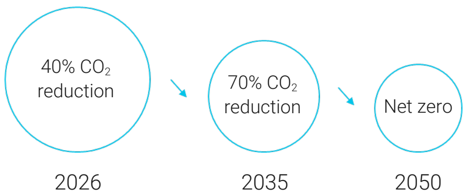
Prioritising energy efficiency for emission reduction

The Group has set the targets for 40% emissions reduction by 2026, 70% by 2035, and net zero emissions by 2050 for our own fleet. To achieve these targets, several policies are in place to assess and mitigate direct, indirect and upstream emissions where possible. Energy efficiency and alternative energy sources are prerequisites for reaching our emission reduction targets, but also present an important business opportunity for Odfjell Drilling. The demand for energy efficient operations and services will only increase in the years to come.

As there is no readily available technical solution for immediate commercialisation and implementation, our primary focus is on energy efficiency. We recognise the close connection between achieving our emission reduction targets and enhancing operational efficiency and energy efficiency to fulfil the Group's ambitions. Our top priority has been to ensure both high operational efficiency and the concurrent reduction of daily emissions.

By working along these two fronts, we anticipate a significant reduction in emissions per well delivered.

Recognising the imperative for a paradigm shift in the energy sector, Odfjell Drilling acknowledges the importance of leveraging the capital and expertise amassed in the oil and gas industry for the transition to renewable energy. An example of this was in 2020, prior to the split of the Group, when Odfjell Drilling invested and established Odfjell Oceanwind, combining our offshore harsh environment expertise with floating wind for impactful wind energy commercialisation.



CO_2 emissions per well, owned fleet, baseline 2014

Creating solutions in rig fleet emissions monitoring and reporting

Operating in a harsh environment makes it challenging to establish a consistent emission baseline across our rig fleet. Factors like wind, waves, currents, and well programs directly influence energy consumption, and each year varies in terms of the time rigs spend in transit, drilling, or idle. Consequently, simply comparing total fuel consumption and emissions from year to year does not offer a meaningful comparison or accurately document the impact of our improvement projects on emission reduction.

To address this, we measure emission reductions resulting from our energy efficiency initiatives against a baseline specific to each rig design. To minimise the influence of external factors, we rely on fuel consumption data from the anchored operational mode to evaluate energy efficiency performance and the corresponding emission reduction.

To accommodate the diversification of our fleet and manage our rigs in multiple modes of operation, the adoption of an activity-neutral reporting methodology becomes essential. In our ongoing quest to enhance fuel and emission reporting methods, we have introduced activity-neutral KPIs as a pivotal metric for 2023. These KPIs serve to monitor energy management performance consistently across the entire fleet and various operational modes. Additionally, to account for operational efficiency, we recognise the need to continuously improve our system to quantify the work accomplished by our rigs.

Collaboration - the key to unlocking the transition

Odfjell Drilling is dedicated to leveraging our assets, internal expertise, and market position to innovate for the future. The integration of alternative energy sources is pivotal to achieving our 2035 targets.

This endeavour necessitates collaboration with our clients to pilot low-carbon solutions, as addressing emissions reduction is a collective challenge within the industry. To invest in net zero emission concepts, even with support from the Norwegian NO_x Fund, securing long-term contracts is imperative in our industry. Business stability and partnership with our clients in asset development are therefore essential factors in meeting our forthcoming emission reduction objectives.

The expertise gained through developing our decarbonisation concepts is now being utilised to develop new energy solutions within offshore wind, hydrogen, ammonia and CCS. This will enable emission reductions for Odfjell Drilling and our clients. To do this, we co-operate with industry partners, suppliers and research clusters.

Key partnerships

- Alliance agreement with Aker BP and Halliburton AS on the development and use of new technologies to automate and digitalise drilling operations
- International Association of Drilling Contractors
- Norwegian Shipowner’s Association
- DNV class society

Responsible transition – Roadmap to net zero

Since our establishment in 1973, innovation has been at the core of our identity, propelling us to constantly seek pioneering solutions vital for a market in transition. Odfjell Drilling has defined its journey towards net zero emission drilling in four phases, to systematically implement and optimise sustainable practices, ensuring a structured approach towards achieving long-term decarbonisation goals while maintaining operational efficiency.

Phase 1 - Operational awareness

Enhancing energy efficiency involves turning off non-essential equipment during operations, benefiting the business economically, operationally, and in terms of emissions. Preliminary calculations indicate a potential 10% emission reduction through improved procedures, without compromising rig operations or safety. Incentivising good operational behaviour is a key success factor. This is supported by our in-house developed digital performance portal Panorama. The dashboard provides an overview of the actual fuel consumption compared to forecast and enables analysis of any overconsumption.

Phase 2 - Enhance technical modifications

To achieve our goals, we are not just enhancing operational procedures; we are also introducing technical modifications—tools that reinforce our focus on energy optimisation and flatten the rig's energy consumption profile.

Depending on the type of drilling operation, the energy demand can increase by 4-5 MW instantly, but only for a few seconds. These energy peaks require the rig to run multiple diesel engines on back up so that they are ready when needed, operating at optimal efficiency.

Energy efficiency modification projects

Odfjell Drilling has state-of-the-art 6th generation rigs. An analysis conducted on the different technical solutions and the energy consumers, identified that several backup systems using energy were not dimensioned for our use. Optimisation efforts have been undertaken, as demonstrated by the following examples of emissions reduction projects:

- Variable Frequency Drives ("VFD") installed for sea water cooling pumps, which enable the pump to adjust the amount of water according to actual demand
- Separate VFDs for anchor winches, reducing the need to run thrusters during moored operations
- Hydraulic Power Unit optimisation pilot on Deepsea Aberdeen, reducing the number of pumps needed to supply hydraulic flow at stable pressure to drilling consumers
- Heating, Ventilation and Air Conditioning seasonal optimisations

Odfjell Drilling has invested a total of $59m on our green rigs projects as of 2023. Several of these projects are supported by the Norwegian NO_x Fund. Odfjell Drilling has as of 2023 received a full payment from the NO_x Fund after successfully proving NO_x emission reductions from our initiatives on our own fleet.

Phase 3 - Optimise solutions

During phase three of our decarbonisation roadmap, Odfjell Drilling is poised to reap tangible outcomes from our strategic investments, heightened operational awareness, and the execution of advanced technical modifications.

Battery technology

Building on the installation of flywheel and battery technology in 2022, the focus of 2023 has been to achieve operational reliability and optimise the solutions. Analysis of operational data has verified that the system achieves significant peak shaving.

A notable milestone achieved in 2023 was the completion of a study on single generator operations, aimed at reducing emissions across our rigs. By transitioning to moored operations in a single bus configuration with a sole generator, we anticipate a significant enhancement in fuel efficiency. This transition is facilitated by the installation of flywheel and battery systems, alongside a DC grid on our rigs.

We recognise that the successful implementation of such initiatives hinges on close collaboration with our clients to realise our shared objectives. Furthermore, we are committed to optimising the Power Management System to fully leverage the potential from our phase two initiatives. This strategic approach will position our rigs to embrace net zero emission concepts, driving us closer to the attainment of our ambitious environmental goals.

Phase 4 - Sectoral transition

Achieving reduced emissions is the primary objective for all decisions made in energy efficiency projects. Odfjell Drilling is continuing along the route to net zero emission drilling by developing concepts within the following technologies:

- Alternative fuels: key to delivering our targets for 2035 is alternative fuels, and Odfjell Drilling has now taken actions towards accelerating such technologies together with key players in the industry. It is concluded that Odfjell Drilling rigs are ready to operate on Hydrotreated Vegetable Oil ("HVO") biofuel to reduce CO_2 emissions in our operations. Further, implementation of biofuel in our fleet is however contingent on the availability and cost of biofuel. Practical considerations and risks related to biofuels are monitored by the Group on a continuous basis.

Renewable biofuel has been piloted onboard Deepsea Atlantic in 2022 together with Equinor, proving to be a suitable drop-in fuel with a CO_2 reduction of more than 80% compared to a fossil fuel comparator. The pilot was performed using HVO produced from waste oil, which was bunkered on Deepsea Atlantic in August 2022. The rig operated an engine successfully on biofuel during a test period of approximately two months, which also included gaseous emission measurements.

Equinor initiated a study on ammonia as a marine fuel which was carried out by Wärtsilä, KBR and Odfjell Drilling in 2022. A dual fuel concept for retrofitting a GVA7500 rig to utilise ammonia as fuel was established, with an estimated CO_2 reduction of 58% during moored operations. The study was completed alongside Wärtsilä's ongoing DEMO2000 project with full scale testing of an ammonia engine.

- Offshore wind: A concept study on renewable energy supply from a Mobile Offshore Wind Unit ("MOWU") to a Mobile Offshore Drilling Unit ("MODU") was finalised in 2022. The concept includes an optional WindGrid™ solution with short-term energy storage, which enables emission reductions of up to 66% on the MODU. Further CO_2 reduction is possible by utilising biofuel for the required energy demand that is not covered by the MOWU. The MOWU solutions are available through Odfjell Drilling's affiliated company, Odfjell Oceanwind.
- Shore power: Supplying a rig with shore power through a nearby field centre powered from shore is a viable solution. The technology is mature and ready and requires moderate modifications on the rig. However, it is costly and would require a plan for re-use of the cable once the drilling operation is completed. Aker BP has initiated a study on shore power to be performed by Odfjell Drilling and Odfjell Technology in 2024. The study will address the currently untapped potential of utilising power from shore via a host platform to different semi-submersible rig designs.
- Carbon Capture and Storage ("CCS") technology: The technology captures the CO_2 from the engines. Studies are completed to enable retrofitting the rig to capture, temporarily store and load the CO_2 onto ships for further processing. However, CCS is yet to be commercially available.

GHG EMISSIONS

Greenhouse Gas Emissions

Material Topics	Impact, risk & opportunities	Target	Status
GHG and air emission	Enhancing ecosystems, biodiversity, and societal well-being through emission reduction.	40% by 2026 70% by 2035 Net Zero by 2050 CO2 emissions per well	Plan in place, on track to reach longer-term target

- Target met in 2023
- Target not met in 2023
- Plan in place, on track to reach longer-term target
- Plan in place, not on track to reach longer-term target

Odfjell Drilling is committed to achieving net zero drilling operations, aligning with the emissions reduction targets in the Paris Agreement and International Maritime Organisation ("IMO"). Our contribution will be through playing a pivotal role in the decarbonisation of the offshore energy sector. Our primary focus lies in making the most substantial impact by reducing emissions for our clients.

GHG accounting approach

Through GHG accounting and a comprehensive emission reduction program, we are actively working towards our ambitious target of achieving our first milestone with a 40% CO_2 emissions reduction per well by 2026, prioritising energy efficiency to accelerate our progress.

Our GHG accounting is done in accordance with the GHG protocol and ISO 14064, for further details see our methodology statement.

Looking ahead, in 2024, our objective is to further align the GHG accounting with the ESRS. We are merging environmental reporting with financial reporting, under the oversight of the CFO, VP Sustainability and VP of Group Accounting. Our main focus will be on establishing robust internal controls, enhancing and integrating reporting software, and refining reporting procedures to synchronise with established financial processes.

Scope 2 – Green office guidelines

The Group incurs indirect scope 2 emissions through purchased electricity for offices and bases. To reduce emissions from scope 2, the Group has a global "green office guideline", managed and monitored by location managers. This guideline offers best practices for reducing the environmental impact of office activities, emphasising energy efficiency, waste reduction, and responsible resource use. Solar panels were installed at our Odfjell Business Centre in Bergen in 2023, which produced 15% of total electricity consumption for the year.

Redefining GHG reporting boundaries

In 2023, we have clarified the classification of scope 1 and scope 3 GHG fleet emissions, effectively addressing double accounting.

The Norwegian Shipowner's Association, IADC and BIMCO conforms to the GHG protocol and the CSRD requirements, where operational control is required. The guidance acknowledges the intricacies of contracts within the oil and gas sector, emphasising the importance of aligning reporting with the entity that exercises primary control. Drilling equipment and parameters are predominantly dictated by the Exploration and Production operator under contracts.

This means that going forward, all GHG emissions during contract is reported as Scope 3, upstream or downstream assets depending on ownership of rig, and that the operator report for these emissions as Scope 1. All owned fleet emissions off contract, Odfjell Drilling will report as scope 1. Odfjell Drilling is fully committed to adhering to this guidance and will reflect its principles in our 2023 report and going forward, demonstrating our dedication to transparent and accurate emissions reporting practices.

Management approach – securing a low-carbon fleet

Operational GHG emissions reduction is anchored at a corporate level in the Group's CMS, through the HSE Policy and QHSSE Programme.

The Group's fleet emissions, originate from combustion of marine gas oil ("MGO") in the engine and boilers on each rig. Given the varying activity levels and operational conditions such as wind, waves, currents, and well conditions, comparing total emissions from one year to another does not provide a complete picture of the impact of emission reduction measures on our rig fleet. Instead, we measure emission reduction from energy efficiency initiatives against a baseline for each rig, primarily using fuel consumption data from Posmoor ATA in anchored operational mode.

Odfjell Drilling has implemented an energy management system in compliance with ISO 50001 Energy Management System requirements, with detailed processes for energy review, baseline definition, energy performance indicators and design improvement. Each rig operates with a separate Unit Specific Energy Management Plan, describing how energy management is implemented and followed. The plan details specific KPIs used to monitor energy improvement daily, and performance is monitored by rig management. The main objectives with energy management systems in Odfjell Drilling are reducing CO_2 emissions, NO_x emissions, fuel consumption and maintenance costs. Running a rig efficiently will mean using fewer fossil fuels (MGO).

We assess the impact of energy improvement initiatives primarily through continuous fuel monitoring, using the Panorama system as a digital performance portal. Panorama offers insights into our fuel and emission trends and real-time monitoring of Energy Management KPIs, also defined in accordance with ISO 50001.

In 2023, despite a 47% increase in contract days compared to 2022, the main driver of emissions, CO_2 emissions from operations on contract in 2023 remained the same per contract day. Key activity drivers influencing emissions in 2023, compared to 2022, are the successful mobilisation and commencement of contracts in Namibia for the Deepsea Mira and Hercules rigs, along with a significant increase in operational days.

Our direct fleet emissions - scope 1

Scope 1 direct GHG emissions for Odfjell Drilling primarily pertain to our owned rigs that are off contract. This includes emissions during periods when the rigs are in dock or in harbour, off hire.

Shore Power is utilised when available to reduce emissions from main engines and local noise pollution. Electricity consumption from shore power to rigs in harbour is reported when applicable. Going forward, we will incorporate electricity consumptions from yard stays in our reporting.

Our indirect fleet emissions - Scope 3

As fleet emissions from our rigs under operations are defined under operational control, Odfjell Drilling's significant GHG emissions are primarily located within our scope 3 categorisation. Emissions reporting is separated between own fleet and external fleet and can be found in their respective Scope 3 category 8 and 13 reporting.

Odfjell Drilling's dedication to technological innovation and emission reduction is evident through various initiatives. The deployment of a battery hybrid technology across all owned rigs, exemplified by the successful operation of the system on the Deepsea Aberdeen.

Our engagement with the Norwegian NO_x Fund resulted in a full payment completed in 2023. Moreover, pioneering efforts such as the renewable biofuel pilot conducted on the Deepsea Atlantic by operating an engine on 100% renewable biofuel have been instrumental in curbing our carbon footprint. Concept studies exploring alternative energy sources, such as wind power from floating wind turbines and the utilisation of ammonia as a marine fuel on a MODU, highlight our proactive approach towards sustainable practices and underscore our commitment to technological developments to foster a greener maritime industry. Read more about our roadmap to net zero on page 14.

Odfjell Drilling is committed to reducing emissions in our external fleet, aligning with the high standards set by our owned fleet. Despite limited control over investment in emission reduction technology, we aim to implement our energy management philosophy on all rigs in our fleet. Close partnerships with rig owners are crucial for seamless collaboration and sustainable practices. Our managed units have specific KPIs aligned with efficiency principles, and we work closely with rig owners to enhance energy efficiency, including initiatives like Selective Carbon Reduction ("SCR") for Deepsea Bollsta and fuel additives for Deepsea Mira.

A screening study on Deepsea Yantai has been initiated by the Group, in collaboration with the rig owner, to identify the potential for further emission reduction on the rig. The deliverables will include comprehensive cost estimations and measures to reduce energy consumption and emissions.

Upstream transportation and distribution

Our supply chain procurement procedures are designed to prioritise the most emission-efficient freight options, giving preference to sea freight over land transport whenever possible. The responsibility for managing and monitoring performance under these policies lies with the purchasing and logistics functions. In our ongoing commitment to environmental responsibility, the Group plans to expand our scope 3 emissions overview in the coming years by engaging our supply chain, in collaboration with our key clients and suppliers.

To enhance our environmental performance, we are incorporating the ESRS reporting requirements into our supply chain data management. Emission data is meticulously reported at the Group level, encompassing all upstream and downstream transportation of goods booked through our frame agreement logistics providers. Currently, this reporting system captures approximately 85% of all logistics activity within the Group.

Additive Manufacturing and Digital Warehousing solutions

In our pursuit of reducing our emissions, we are exploring innovative solutions such as additive manufacturing and digital warehousing. These initiatives aim to reduce freight emissions, minimise physical storage requirements, lower waste production, and decrease power consumption.

In recent years, Odfjell Drilling has been actively exploring the possibilities and advantages of additive manufacturing for producing spare parts. Given the global geopolitical instability and its potential impact on our access to crucial spare parts precisely when and where we require them, it has become imperative to adopt new technologies. Additive manufacturing not only addresses these concerns but also plays a pivotal role in promoting a sustainable supply chain. The ability to locally manufacture, repair, and modify parts, rather than shipping them over long distances, promises significant reductions in freight emissions, costs, vulnerability, and lead times. Furthermore, additive manufacturing facilitates the transition to a circular economy, allowing us to reintegrate waste into our own value chain for reuse. In addition, transitioning from physical inventories to digital inventories, wherever feasible and advantageous, will result in reduced storage costs, decreased power consumption, and more efficiently allocated capital.

Other emissions to air

The other material types of emissions that have a negative impact on the environment in our operations are NO_x (nitrogen oxide) and SO_x (sulphur oxide). NO_x emissions from rigs operating in Norway is a reporting requirement for rig owners and operators to the Norwegian authorities. SO_x and NO_x emissions are both regulated in MARPOL. SO_x emissions are primarily controlled through the permitted level of sulphur in the MGO delivered to the rig. NO_x emissions are primarily reduced by lowering fuel consumption. However, there is technology specifically targeting removing NO_x from the exhaust from diesel engines. SCR systems inject urea in the exhaust gas, converting the NO_x into water and nitrogen. Deepsea Nordkapp has installed these "scrubbers" which enables a NO_x reduction of 70-80% compared to having no such technology installed. An SCR system is also installed on Deepsea Bollsta.

GHG emission and energy consumption

Categories[1]	*Units*	*2023*	*2022*	*2021*
SCOPE 1				
Scope 1 - owned units[2]	tCO_2e	0[3]	349	7,142
SCOPE 2				
Location based	tCO_2e	7	5	23[4]
Market based[5]	tCO_2e	188		Not available
SCOPE 3[2]				
Category 4 – Upstream transportation & distribution - owned units[6]	tCO_2e	724	1,272	1,094
Category 4 – Upstream transportation & distribution - managed units[7]	tCO_2e	10,670	630	204
Category 6 – business travel	tCO_2e	873	208	97
Category 7 – employee commuting[8]	tCO_2e	7,701	1,772	1,239
Category 8 – Upstream leased assets - managed units	tCO_2e	163,282	42,388	31,152
Category 13 – Downstream leased assets - owned units	tCO_2e	136,889	149,594	154,165
OTHER EMISSIONS TO AIR				
Nitrogen oxides (No_x) - owned units	Ton	1,529	1,685	Not available
Nitrogen oxides (No_x) - managed units	Ton	2,215	5319	Not available
Sulfur oxides (So_x) - owned units	Ton	38	45	Not available
Sulfur oxides (So_x) - managed units	Ton	55	14	Not available
OTHER				
GHG emission intensity per net revenue	tCO_2e/MUSD	239	266	309
GHG emission intensity per contract day	tCO_2e	123		Not available
Energy intensity per net revenue	joules/MUSD	7,147		Not available
Energy consumption within the organization	joules	4,081,183		Not available

Notes

1 refer to the methodology statement for detailed definitions and methodology on all emissions categories
2 the scope 1 and scope 3 data were recalculated due to the redefinition of the GHG reporting boundary
3 zero-emission in scope 1 indicates that all the emissions happened under contract being classified as scope 3.13
4 the scope 2 location-based emissions for 2021 includes Odfjell Technology emissions pre spin-off
5 the scope 2 market-based calculation, aligned with the ESRS, firs year of reporting 2023
6 scope 3.Category 4 (owned units) emissions decreased due to reduced land transport and air freight.
7 scope 3.Category 4 (managed units) emissions rose due to expanded fleet and operations in Namibia and Canada.
8 the substantial increase in emissions in scope 3 category 7 is attributed to the expanded fleet and expansion of operations in Namibia and Canada.

WATER AND MARINE RESOURCES

Marine ecosystem and water management

Material Topics	Impact, risk & opportunities	Target	Status
Water effluents	Marine ecosystem and environmental health	Bilge water effluent to sea < 15 ppm oil in water	●
		Uncontrolled spills to sea = 0	●
		Reduce 10% of hazardous chemicals (YoY)	●

● Target met in 2023 ● Plan in place, on track to reach longer-term target
● Target not met in 2023 ● Plan in place, not on track to reach longer-term targe

While Odfjell Drilling does not operate in regions facing acute water scarcity, the Group recognises the critical role of water as a precious resource and the looming challenges posed by water scarcity globally, and places a strong emphasis on responsible water management.

Management approach

Adherence to stringent regulations, internal procedures, and operator requirements, coupled with monitoring of wastewater effluents, reflects our commitment to responsible water practices. Our approach prioritises environmental stewardship, compliance, and the preservation of water resources for the well-being of communities and the broader ecosystem.

Biodiversity

The United Nations Biodiversity Conference (COP15) in 2023 led to a landmark agreement on protecting biodiversity loss. Odfjell Drilling recognises our responsibility of providing high quality service to operators, to ensure environmental protection and mitigate negative impacts on biodiversity and nature.

Our adherence to environmental principles and management procedures ensures the implementation of mitigating actions, including:

- ensuring compliance with local and international regulations in managing operational discharges
- safeguarding natural biodiversity through the careful management of ballast water and regular hull cleaning
- aligning with and assisting operators in meeting environmental impact assessment and drilling permit requirements
- collaborating on 'zero discharge' initiatives with operators
- implementing preventive measures to minimise spills and marine debris
- proactively recovering materials lost overboard

Water consumption

Water on our rigs primarily originates from seawater sources, aligning with sustainable practices. We produce fresh water through distilled freshwater generators or reverse osmosis systems. The potable water system includes a potable water supply network that involves treatment of fresh water for making it suitable for potable purpose and distribution to different consumers onboard. In addition, there are two bunker stations onboard for bunkering water from vessels. Potable water is analysed on a frequent basis to verify water quality.

Our rigs operate according to International Maritime Organisations Ballast Water Management (BWM) convention, meaning that we have a ballast water management plan, ballast water record book and international ballast water certificate. Deepsea Bollsta and Hercules, which operated outside Norway in 2023, have installed a ballast water treatment system onboard according to BWMS Code. Deepsea Mira will install such a system in 2024.

Wastewater/process water

All Odfjell Drilling's rigs are designed to be a closed rig, meaning that all fluids (rainwater, washing water, oil contents, mud etc.) go into a closed drain system. We separate between hazardous drain and non-hazardous drain. Example of hazardous drains are drains from the drill floor, shaker room, and pump room, while non-hazardous drains are from outside deck areas such as the riser deck and pipe deck.

In discharging sewage, Odfjell Drilling operates according to MARPOL Annex IV Regulation 11. Our rigs have a grey water system with discharge from scuppers, hospital area, galley area, laundry area, sinks, showers, and wash basins. Moreover, a black water sewage system from toilets is arranged. When overboard discharge is prohibited, the sewage storage tank in place will be used. If the threshold on our KPI, keeping drain fluid with oil in water content < 15 ppm, is exceeded, it will be treated onboard to separate oil from water, where oil is pumped to tank for delivery ashore and clean water with oil content below 15 ppm is pumped overboard.

Spills and discharges to sea

Spills prevention and sustainable practice

Our commitment to prevent unintentional spills and discharges and operate sustainably, underscores Odfjell Drilling's dedication to environmental responsibility. This is realised as part of the operational performance provided to our clients, through proactive measures including contingency plans, relevant technologies, and compliance with internal and external requirements. The aim is to prevent spills, safeguard ecosystems, and uphold environmental standards, contributing to societal well-being.

Management approach: Established operational boundary with operator

Odfjell Drilling maintains a robust commitment to environmental responsibility through oversight of operational activities. Our proactive and sustainable approach underscores the rigorous management of rig design, technical barriers, and spill prevention measures for both owned and managed assets. It is imperative to delineate the boundary with clients, who bear responsibility for securing discharge permits, specifying usage, treatment, volume, and substance discharge. Additionally, our operators oversee the purchase, utilisation, and disposal of chemicals, and managing processes related to drilling fluids, additives, and consumables.

Risk management and prevention protocols

To effectively address the risk, Odfjell Drilling implements stringent risk management protocols, encompassing comprehensive procedures, maintenance programs, and technical barriers designed to prevent spills to the sea. Moreover, recognising the broader spectrum of activities associated with material handling and fluid transfers between vessel and rig, the organisation proactively identifies and mitigates risks to prevent any unintended spills to sea.

All uncontrolled discharge to sea is classified according to our incident classification matrix, considering factors such as the type of spill (e.g., oil), content (e.g., harmful additives in drilling fluid), and volume. All uncontrolled discharges are reported in the Group's incident reporting system Synergi.

The 2023 performance assessment highlights the achievement of zero significant spills to the sea, underscoring our commitment to stringent environmental standards. Additional details on tracked spills can be found in the appendix.

Chemical management

Responsible and safe consumption of chemicals are essential from an environmental point of view and for limiting exposure to chemicals for our employees as much as possible. The QHSSE department evaluates all new chemical requests according to defined criteria prior to purchasing. After a review of the chemical's Safety Data Sheet, they are risk assessed in the EcoOnline system. Risk assessments involve users and the exposure, including health, safety and environmental aspects, provide input to substitution of chemicals and information to end-users. Chemical inventories are maintained of all chemical products used and the Company has implemented an inventory of hazardous material (IHM) maintenace procedure. Existing chemicals are reviewed regularly for reduction or substitution.

Resource use and circular economy

Management approach

Offshore waste management is subject to strict regulations imposed by regional authorities in the countries where Odfjell Drilling operates. The responsibility for managing and disposing of production waste generated during drilling operations lies with the client, placing it beyond our operational control.

Although the disposal of general business waste generated by drilling operations are typically the responsibility of the client and, in these cases, are also beyond our operational control, Odfjell Drilling remains committed to reducing the general business waste we generate offshore. This includes plastics, metals, cardboard, non-drilling chemicals, and food waste. Odfjell Drilling has a global waste management policy, focusing on reducing our environmental impact through strategies like waste elimination, reduction, reuse, recycling, and proper disposal. We have established waste segregation plans for all our facilities, including rigs, offices, warehouses, and yards.

At Odfjell Drilling, we prioritise waste management plans that comply with environmental regulations. Although operators typically handle waste disposal, we aim to align our services with their goals and cut down on the waste we generate offshore. Our CMS provides clear guidelines to maintain environmental standards, emphasising waste reduction and safe handling. We believe in segregating waste at its source, promoting recycling and reducing the risk of spills that could harm the environment and local communities.

Responsible and local consumption

Our HSE Policy states that environmentally preferable products and services shall be considered in the procurement processes. Purchasing consumables from local suppliers and selecting consumables with less packaging are typical factors that are continuously considered.

To work systematically to replace or reduce harmful chemicals is a priority for Odfjell Drilling as seen in our Environmental Principles. Substitution of harmful chemicals with green alternatives is a continuous effort and standardising the chemical catalogue across rigs has been helpful in driving this forward.

Looking forward

In our ongoing efforts to enhance our sustainability performance, we are actively working to improve our data-collection processes related to waste generation, water generation, and water consumption. The differing requirements across regions have presented challenges when it comes to consistent data reporting and meaningful comparisons. Our initiative seeks to tackle this problem and enhance the uniformity and precision of waste generation data. In 2022, we implemented a more systematic approach to reporting onshore waste through a SharePoint platform. In the coming year, we will place increased emphasis on enhancing our reporting process for waste generated offshore.

Odfjell Drilling will continue to work with clients, industry partners and stakeholders to identify technologies and solutions to further improve our waste management practices and promote these across our industry.

Social Impact Management

Material Topics	Target	Indicator
Occupational health and safety	Zero incidents	Fatalities, serious injuries, total recordable injuries
Asset integrity and incident management	Zero serious incidents	Number of serious incidents
Non-discrimination and equal opportunities	40% women in leadership by 2030	Representation %
Employment practices	Sick leave of <3%, target turn-over <5%	Sick leave % turn over %
Freedom of association and collective bargaining	Zero tolerance policy for anti-union tactics	Number of violations of applicable rules

Our greatest asset has and always will be our people. Their intelligence and resourcefulness set us apart, and it is a priority of the Group to provide a safe and satisfying place to work in. People and safety are two fundamental pillars of Odfjell Drilling's business strategy. Fostering a resilient safety culture and empowering our people makes it possible to overcome challenges and deliver superlative results to our clients in a safe manner.

Safety

The Group strives for an ambitious goal of zero incidents across all facets of its operations, firmly believing that every incident is preventable. Our philosophy is to focus on root causes, learning from experience, and fostering continuous improvement.

By empowering employees with knowledge and skills, we ensure that every team member is equipped to recognise and mitigate risks proactively. This commitment to training not only enhances individual competence but also cultivates a culture of safety where every employee plays an active role in maintaining safe operations. To ensure continuous improvement, training materials are regularly reviewed and updated to incorporate the latest industry standards.

Employment practices

Fair labour practice and human rights are an integrated part of day-to-day business in both letter and spirit. Taking care of people by creating a safe and prosperous working environment is a priority.

The dedication to good employment practices goes beyond mere compliance with labour laws. Monitored through metrics such as sick leave and turnover rates, our commitment extends to understanding the overall health of the organisational working environment. High attention is placed on competence assurance and leadership development, fostering an organisational culture that upholds positive values, attitudes, and collaborative conditions.

Diversity

In response to the historical male dominance in the oil and gas sector, Odfjell Drilling is proactively addressing the need for greater gender diversity and inclusivity within the industry. In 2023, the Group became a signatory of the Women International Shipping and Trading Association ("WISTA") Norway 40 by 30 pledge. Furthering this commitment, the Group has launched the initiative named 'Women in Drilling,' aimed at taking active steps to achieve our diversity targets.

Ethical standards and Human Rights

Odfjell Drilling proactively mitigates actual and potential impact on human rights throughout our value chain. This resonates throughout Odfjell Drilling's ethical standards, recognised by employees, clients, and communities. This implies:

- commitment from all employees to quality and safety in their work
- a style of management that emphasises delegation and employee development
- guidelines that generate security and trust through correlation between words and deeds
- cooperation and shared responsibility through mutual respect, honesty, loyalty and responsibility vis-à-vis the society, Group and each other

OCCUPATIONAL HEALTH AND SAFETY

Priortising safety in our operations

Material Topics	Impact, risk & opportunities	Target	Status
Occupational health and safety	Employee well-being, safer workplaces, and community health.	Serious Incident Frequency (SIF) = 0	SIF = 0
		Total recordable incident frequency (TRIF) = 0	TRIF = 2.60
		Lost time injury frequency (LTIF) = 0	LTIF=0.71
Safety and security	Industrial activities impact public, employees, and the environment	Well control incidents = 0	Well control incidents =0
		Major security breaches = 0	
Employee well-being	Enhanced health and safety measures contribute to employee well-being	Lost time injury frequency (LTIF) = 0	LTIF 0.71

Target met in 2023 · Plan in place, on track to reach longer-term target

Target not met in 2023 · Plan in place, not on track to reach longer-term target

Odfjell Drilling recognise that the nature of onshore and offshore operations poses an inherent risk to personnel health and safety. Leadership, a strong understanding of risk, and a continuous focus on daily risk management are essential components in achieving and maintaining safe operations. This will always be our number one priority.

Management approach

Odfjell Drilling's HSE Policy is signed and communicated by the CEO, documented in the CMS, and made accessible through our website, as well as posted on physical posters on and offshore. The HSE Policy states that Odfjell Drilling shall maintain the highest safety standard and protect the health of our employees and others associated with our operations. It also sets out our commitment to compliance with regulation, developing a culture based on commitment from all involved, and applying the Group HSE rules. Odfjell Drilling's approach to health and safety includes safeguarding employees and contractors under Odfjell Drilling's control. We have overall responsibility for the occupational health and safety of our employees, both on our offshore rigs and within our office environments.

Regular working environment surveys and collaboration with occupational health service providers reflect our dedication to employee well-being.

Occupational health and safety are a line management responsibility. However, a robust QHSSE organisation and occupational health services are supporting management and employees and monitoring the health and safety aspect of our operations. To ensure a satisfactory working environment for employees, mapping of relevant working environment factors that may affect employees' physical and mental health and welfare is performed. These factors include the organisation of work, ergonomic factors, chemical exposure, noise/vibration, illumination, indoor climate, work at computer monitors, and machine interfaces. Surveys, and analysis of results, shall adhere to acknowledged standards and methods. Mapping of working environment factors shall be performed by occupational health service providers with competent resources from various disciplines.

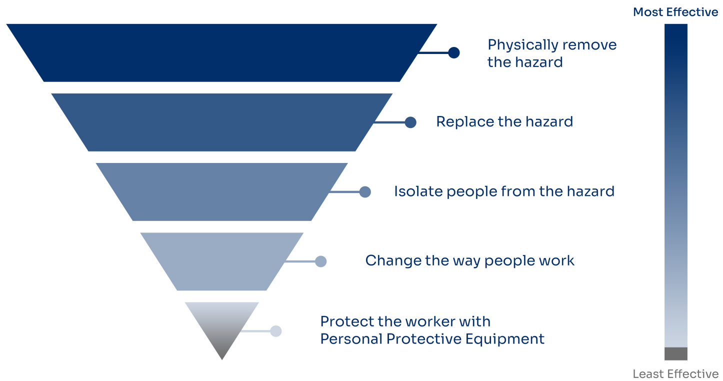
Odfjell Drilling's annual QHSSE Programme sets the overall objectives and improvement actions for the year, and the rigs develop their own specific action plans supporting the QHSSE Programme. Please see page 9 for more details.

Objectives, improvement actions and KPIs are established based on safety statistic trends, past performance, risk level, industry best practice, legislative requirements and input from employees and other stakeholders. The result of the KPIs is used to monitor performance and identify areas that need special attention and follow up by management.

All employees and contractors working under Odfjell Drilling's supervision are required to adhere to the HSE Policy and to work in accordance with relevant requirements in the CMS. They are also responsible to risk assess their work, act when they see unsafe behaviour and conditions, and report hazards. Workforce representatives are elected and contribute actively to continuous improvement in daily operations and in dedicated arenas.

We have initiated people-oriented programmes to reward good safety behaviours and performance, such as the CEO's annual safety award, to recognise the best safety performance and exceptional effort in the safety arena.

Hierarchy of Controls



Quality and Risk Management

Company Management System (CMS)

Odfjell Drilling's CMS contains policies, processes, and procedures, and is the framework for operating our business, meeting the requirements and expectations of the Board, authorities, clients, and other stakeholders. The CMS is built on 50 years of operational experience within the drilling sector and complies with recognised international and national standards as well as national legislation. It consists of 5 levels, where level 0 contains policies established by the Board of Directors and level 4 contains unit specific work instructions.

Odfjell Drilling have the following certification and accreditation:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- International Safety Management code and the International Ship and Port Facility Security code

Risk Management

Odfjell Drilling practices a QHSSE risk management process for all operations by which hazards are identified, and associated risks are understood and managed in such a way that the risk levels are reduced to as low as reasonably practicable. Human performance principles are included in risk assessment processes through increased knowledge and awareness of the human factors influence on human performance. The implementation of Life Saving Rules from the International Association of Oil & Gas Producers enhances our commitment to industry-leading safety practices, providing proactive guidance to prevent serious injuries.

Health and safety performance evaluation

All incidents are registered in a system called Synergi, with actions tracked to completion. Incidents are investigated based on actual and potential consequences, according to the Group's Incident classification matrix.

Prevention and control of incidents

The main difference between safety and security is that safety is being safe from unintended threats, and security is the protection against deliberate threats.

Odfjell Drilling prioritise the maintenance of safety, including security, throughout every phase of our operations. Asset integrity and critical incident management deal with the prevention and control of incidents that can lead to fatalities, injuries or ill health, environmental impacts, and impacts to infrastructure.

Accidental spill, and loss of well control, are significant environmental aspects of our offshore operations. We operate in a high-risk business, and preventing a major accident is a key and continuous focus area. The probability of such an accident is considered to be low, but the consequences would be disastrous for people, the environment, the business and the reputation of Odfjell Drilling.

Management approach

Odfjell Drilling has established procedures and personnel working with risk and incident management and has this embedded throughout the Group. The QHSSE programme describes the focus on safe, secure and stable operations.

Technical and operational analyses form the basis for establishing emergency preparedness and Ship Oil Pollution Emergency Plans which are prepared to deal with asset integrity and critical incident management. The plans are based on Defined Situations of Hazard and Accident, to deal with situations related to personnel injury, environmental impact, material impact and cyber security.

The emergency preparedness organisation is trained and equipped to handle these types of incidents, either internally or with help from external parties, described in a bridging document between Odfjell Drilling and the client. Incidents are reported in accordance with Odfjell Drilling's risk management approach and incident classification matrix. Odfjell Drilling is a member of the Norwegian Maritime Cyber Resilience Center.

Performance evaluation

All safety and security incidents are investigated, with criminal acts reported to the police. Incidents are documented in the non-conformity and incident management system Synergi, following guidelines.

The IT department monitors IT systems daily and receives automated reports showing traffic, security threat findings from screenings, spam filters etc. In addition to reporting through IT Security mailbox, these tools help us monitor trends to assess when and where measures must be taken. Read more about our security and cyber security management approach on page 9.

In 2023, there were no significant incidents that necessitated the activation of our onshore emergency preparedness organisation. We did encounter some security concerns related to drones in the vicinity of our rigs on the Norwegian Continental Shelf; however, it's important to note that these incidents did not occur within the 500-metre safety zone and were not classified as serious security threats.

OWN WORKFORCE

Commitment to our own workforce

Material Topics	Impact, risk & opportunities	Target	Status
Prosperus work environment	Healthy, productive and stable workforce	Sick leave percentage of <3%, or 20% reduction from prior years sick leave levels	4,71% total sick leave (Target not met in 2023)
Turnover	Stable and experienced workforce	Turnover percentage <5%	2,4 % total turnover (Target met in 2023)
Personal development	Wellbeing and motivation of the workforce	All employees are offered a development talk	100% were offered a development talk (Target met in 2023)
Trained leaders	Competence enhancement	Every manager shall attend leadership training	1280 hours OIM leadership training (Plan in place, on track to reach longer-term target)

Target met in 2023 · Plan in place, on track to reach longer-term target

Target not met in 2023 · Plan in place, not on track to reach longer-term target

Taking care of our workforce is a top priority to Odfjell Drilling. Committed, motivated and qualified employees are crucial to conduct safe operations and deliver services of the highest quality.

Working environment

The ultimate accountability for the health and well-being of the workforce rests with the Board, while responsibility for strategy and execution lies with the SVP HR and the HR department. The HR department has specialised personnel who manage health and well-being initiatives. The department implements and enhances governance systems to empower line managers to fulfil their obligations, supports the other functions of the Group, and exercises oversight to ensure compliance with policies and procedures.

Mental health campaign

Odfjell Drilling launched "I See You", a campaign to raise awareness about the importance of mental health. The aim of the campaign is to encourage reflection around mental health topics and offer high-quality tools to improve mental wellbeing, which in turn will contribute to better life quality and safety.

The core of the campaign are videos made by psychologist Jan Martin Berge, made available in internal channels throughout the year with an interval of six weeks. At the end of 2023 there is a total of 11 videos covering topics such as work life-balance, the importance of good colleagues and inner motivation. Based on feedback, the campaign has been a success and will continue in 2024.

Competence and training

Competence is one of Odfjell Drilling's five Core Values. Safe and efficient operations can only be provided by competent and well-qualified people. This is reflected in the Competence Policy, anchored at a corporate level in the CMS. All offshore employees are trained in compliance with our competence management system. The Group's investment in competence assurance management systems in 2022 has made competence management in 2023 more transparent throughout the organisation.

Our annual development reviews are offered to all employees, and a gap analysis provides a clear picture of our competencies and capabilities.

In 2023 the Group invested in tailor-made Offshore Installation Manager leadership programs to target personalised development, and individual coaching. Offshore leaders have the widest reach of impact on our workforce, as most of the Group's personnel are offshore.

Payment Practices

The global salary review procedure describes pay practices and provides guidance across the Group. The principles in the procedure additionally apply criteria to external suppliers, contractors and consultants, to ensure equitable, non-discriminatory pay and benefits practices across our areas of impact. A pay gap report is available for Norway on our website. The analysis shows contractual base salary. Additional analysis in accordance with the Norwegian Gender Equality Report compares additional pay elements beyond contractual base salary. The combined analysis show female and male salaries are comparable, and long-term prioritisation of this area has levelled gender salary differences.

"At Odfjell Drilling, our success stems from unity and the dedication of our people. Through collaboration and innovation, we drive progress, guided by our core values, ensuring the highest quality in all our endeavours."

Helge Maubach

SVP Human Resources

Performance evaluation: own workforce

Odfjell Drilling is dedicated to fostering a positive work environment and promoting well-being both during and outside work. Through initiatives like the global working environment survey, the Group ensures that employees not only work in compliance with legal standards but also experience good working conditions.

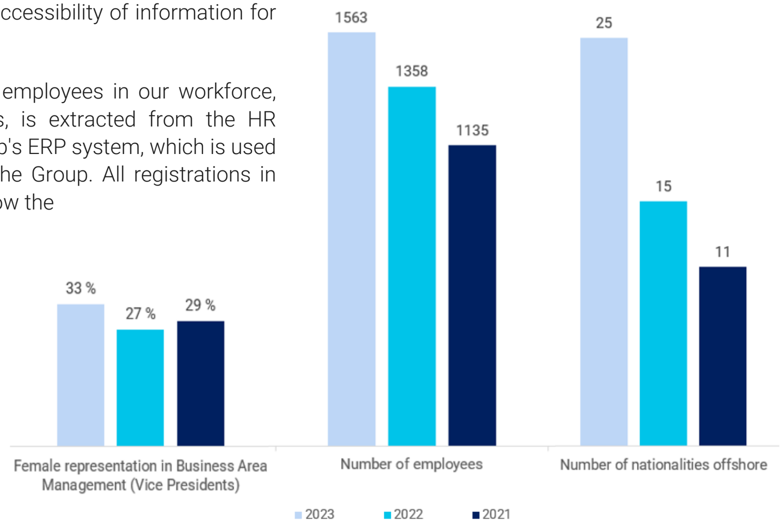
Monitoring and measurement of employees' workload is an important tool in identifying areas for improvement. Additional data and figures on our performance evaluation on employment practices can be found in the appendix at the end of this report.

Our management approach involves proactive communication with employee representatives, ensuring their involvement in discussions that impact workforce interests and well-being. This commitment is reinforced through regular communication sessions, partnerships, and documentation of local agreements, promoting transparency and accessibility of information for all employees.

All data related to employees in our workforce, and to contractors, is extracted from the HR module in the Group's ERP system, which is used in all locations in the Group. All registrations in the HR module follow the same templates and dataset requirements. Data is updated daily and provides a good overview of the current situation in the Group, including access to historical data.

Odfjell Drilling conducts quarterly data analysis to track progress towards its diversity, equality, and inclusion objectives, as well as conducting yearly in-depth management assessments. Automated demographic reports are produced daily and monthly. The analysis encompasses all employees who are permanently or temporarily employed directly by the Group, while contractors and consultants are considered on a case to case situation.

Odfjell Drilling does not register any data related to religion, sexual orientation, medical history, or other sensitive information. Please find key insights and performance evaluation in the appendix of this report.



Freedom of association and collective bargaining

The Group upholds the right to freedom of association and collective bargaining for both our employees and workers in the value chain.

The majority of our workforce resides in Norway, where a century-old tradition of trade unions and employers' organisations has led to a robust system of workers' rights and privileges. In Norway, comprehensive collective bargaining agreements are established with labour unions, covering 100% of employees in Norway, irrespective of union membership.

Freedom of association and collective bargaining are material worker's rights for the Group's commitment to fair labour practices and human rights. The Group has a zero tolerance for anti-union tactics. Furthermore, all our suppliers, especially those providing third-party personnel, are expected to comply to the same standard and principles. As a result of ensuring fundamental labour rights and human rights, we also mitigate risk in relation to legal and regulatory compliance, supplier relations and potential cost implications.

Our procedures extend these principles to suppliers, emphasising adherence to collective bargaining agreements and promoting equitable practices in our engagement with third-party personnel and services. Suppliers of 3rd party crew are selected for Maritime Labour Convention 2006 adherence, and through supplier audits, including the recognition of collective bargaining. The Group actively terminates agreements with suppliers engaged in anti-union tactics or unwilling to improve in this crucial area, reinforcing our dedication to fostering fair and respectful working relationships throughout our supply chain.

OWN WORKFORCE

Representation of women in drilling

Material Topics	Impact, risk & opportunities	Target	Status	
Ensure gender diversity in leadership and in technical roles	Reduced diversity and innovation External and internal reputation Legal and compliance	30% women in leadership positions by 2025 40% women in leadership positions by 2030	Increased female representation in leadership positions compared to 2022	● (Plan in place, on track to reach longer-term target)

● Target met in 2023 ● Plan in place, on track to reach longer-term target
● Target not met in 2023 ● Plan in place, not on track to reach longer-term target

Odfjell Drilling is taking active measures to increase the female share in a male dominated industry. The promotion of diversity and equality aligns with the Group's core values and contributes to the cultivation of a positive workforce.

Management establishes ambitious goals and clear policies in areas targeting diversity and equality through procedures like hiring, job transfers and advancements, training, career planning, compensation, and overall workplace conditions. Expectations of employees are clarified through policies, procedures and leadership training programs.

The Group works to promote a culture of inclusion as part of daily life at the workplace and endorses the Gender Equality Strategy for the Maritime Sector by the Norwegian Ministry of Trade, Industry and Fisheries. In 2023, Odfjell Drilling made a commitment in 2023 and signed the Women in Shipping and Trade Association's (WISTA) 40by30 pledge, setting the target to achieve the representation of women in leadership roles to 40% by 2030, following the original target of 30% by 2025.

An inclusive workplace enhances the working environment and contributes to Odfjell Drilling's overall success by attracting a variety of talents in recruitment processes. Our initiatives aim to foster inclusion and diversity, includes all employees, regardless of type of contract and position, and includes contractors and workers not on Odfjell Drilling payroll.

Diversity and non-discrimination declarations are included in a wide range of procedures in our CMS, for example the Code of Business Conduct ("COBC"), non-discrimination, recruitment, competence and retirement policies. Odfjell Drilling also complies with local labour laws and regulations, including the Norwegian Act relating to equality and a prohibition against discrimination.

Launching the Women in Drilling initiative

In 2023, Odfjell Drilling launched the initiative Women in Drilling. Its mission is to create an inclusive workplace for female employees offshore and onshore, involving leaders in gender equality initiatives.

Why now & what is the intended outcome?

To realise our new 40by30 pledge we saw the need to establish a network and facilitate open platforms for sharing insights, addressing opportunities, and overcoming challenges in the industry.

The aim is to heighten awareness on diversity, reduce gender bias across the organisation and to empower our current and future female employees. Additionally, we aim to assess our offshore assets, with particular emphasis on their physical conditions, ensuring inclusivity and diversity. More concrete, this will address the psychosocial environment onboard, with a specific focus on leadership training aimed at mitigating gender biases.

How does the initiative plan to achieve its objectives?

The initiative is anchored in Odfjell Drilling's strategy and the executive management. An advisory committee with representatives from every function in the Group is appointed by the executive management. The committee works closely with the HR department to support the delivery of action plans and initiatives, ensuring the realisation of Odfjell Drilling's gender equality targets.

By collaborating with the top management and HR, the initiative aims to implement strategies effectively and create tangible outcomes in promoting gender diversity and inclusivity within the Group across functions.

Meet the Women in Drilling Committee, from left to right: Sunniva Strønstad Sjo, Paloma Menino Drønen, Maria Antun Hjellvik, Marita Skogen, Karoline Flåte and Silje Guldhav

OWN WORKFORCE

Fair Labour Practice and Human Rights

Odfjell Drilling is dedicated to the protection of fair labour practices and human rights in accordance with the International Bill of Human Rights, The ILO Core Conventions and Maritime Labour Convention. The actions to safeguard fundamental rights are carried out following The UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. These internationally recognised instruments are made a part of Odfjell Drilling's corporate governance through the Human Rights Policy, and operationalised as an integrated part of risk assessments and day-to-day business.

The annual report highlights the key aspects of our Human Rights Strategy in 2023. Please read our Norwegian Transparency act report and UK Modern Slavery Act report published on our website 30th of June for further details.

Human Rights Policy

The Human Rights Policy sets out the principles for Odfjell Drilling's human rights commitments and work to protect and avoid infringements of human rights of employees, contractors, suppliers, agents and business partners, as well as communities affected by the Group's business activities. The policy content is based on a multi-stakeholder process to identify material human rights focus areas for Odfjell Drilling.

The policy is owned and approved by the Board and the CEO. The Executive Management Team have the responsibility to ensure that the policy governs actual and potential impacts on human rights in all business activities. The commitment stated in the policy is integrated into other key processes, such as supply chain management, HR management, tender and contract processes and risk management. All employees are expected to comply with the policy and its human rights commitment.

The whistleblowing portal is the Group's grievance mechanism in case of concerns related to potential negative impacts on human rights and working conditions, either directly or indirectly caused by the Group. The whistleblowing portal is open to all and easily accessible on the Odfjell Drilling website. There has been no cases of concerns in 2023. In the case of activities that have caused or contributed to adverse effects on human rights appropriate remediation will be provided.

Integrating human rights in day-to-day business

The identified human rights focus areas are subject to special attention and prioritised in risk management processes, including verification of suppliers. Human rights focus areas include prohibition of human trafficking, forced labour, and child labour.

Providing a safe and secure working environment with just and favourable working conditions, including protection against discrimination and the right to join unions and strike. These priorities have a direct impact on our QHSSE and HR policies and procedures, and extend to our supply chain approach through procedures, frame agreements, and verifications.

The drilling operations in Namibia during 2023 involved locals and contributed to the creation of well paid and safe jobs, as well as skills development and access to new technology, both nationally and within local communities. Being present in locations with developing human rights practices brings about new opportunities and challenges that elevates the significance of responsible business conduct.

Extensive verifications and audits of supplier's employment practices have been performed in 2023, especially in relation to our international operations.

Human Rights due diligence assessment

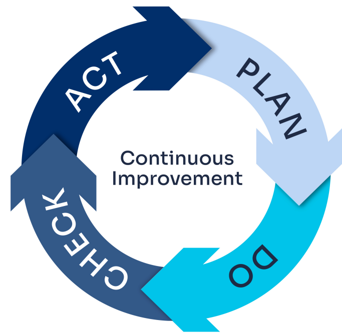
Building upon the due diligence assessment conducted in 2022, Odfjell Drilling assessed risks related to actual and potential adverse impacts on human rights and labour practices in 2023. The due diligence assessment is done in compliance with the OECD Guidelines, taking into consideration sectoral, geographic, product and enterprise risk factors, in addition to, stakeholder engagement and known risk. The assessment includes both our own workforce and workers within the value chain

Own workforce

The majority of our own workforce is exposed to risk arising from working offshore and drilling operations. Specifically, this might be injuries to body and health, and long working hours as a result of shift work.

The drilling industry is heavily regulated, and the risk of injuries or other negative impact on human rights, are therefore considered low. Odfjell Drilling comply with mandatory regulations and standards and are subject to reporting requirements and government oversight and inspections. Safety is within our core values and adequate personal protective equipment, emergency response plans and training plans is an integrated part of our business, and continually followed up.

The Group acknowledges the advantage of having major administrative and operational presence in countries with strong human rights legislation. There has not been any identified actual negative impact on human rights in our own workforce in 2023. Please refer to the appendix for numbers on work related injuries, working hours, training hours and diversity.



Governance and Ethics

Read more	Approved by
Ethical Principles	The Board, 2021
The Group's Core Values	The Board, 2011
Human Rights Policy	The Board, 2022
Modern Slavery Statements	The Board, anually
Corporate Social Responsibility Principles	CEO, 2022
Code of Business Conduct	CEO, 2005
Supplier Code of Conduct	CEO, 2022
Human Rights Risk Assessment Procedure	CEO, 2022
Competition Compliance Procedure	CEO, 2003

Odfjell Drilling is committed to high ethical standards, compliance and integrity, with a focus on the importance of transparency. The ethical principles are anchored in policies on a corporate level and reported on annually. Topics of particular importance to Odfjell Drilling, are robust risk management, anti-corruption, fair competition and supply chain management.

Management of policies

All approved policies, codes and principles are to be followed in both spirit and letter. The CEO is responsible for the overall implementation of the policies within the Group, while all division leaders and line managers are responsible for implementation within their division/line.

Everyone in Odfjell Drilling has a personal responsibility to work in a way that respects the policies and to encourage others to do the same. Detailed guidance to assist with upholding the policies is included in the COBC. In addition, the Compliance Officer and Corporate Legal are responsible for providing training and can be contacted for guidance. All the listed documents are anchored on a corporate level in the CMS and applicable to the entire Group in all its activities.

Global ethical governance

Odfjell Drilling believes that responsible and ethical business conduct is fundamental to achieve high operational performance and sustainable value creation. In 2023 Deepsea Bollsta, Deepsea Mira and Hercules have been operating on the Namibian continental shelf. Namibia has a CPI score of 49/100 by Transparency International (2023), which underlines the importance of policies and robust procedures to ensure ethical corporate governance, including supply chain management.

All business partners are expected to act in accordance with the Group's ethical principles. The supplier code of conduct is included in all supplier contracts and imposes additional guidelines on ethical business conduct.

Odfjell Drilling works systematically to reduce and mitigate risk. The policies are actively used in the risk review processes related to tenders and procurement, and form an important foundation for all our operations.

Economic impact

Odfjell Drilling generates value that benefits both owners and society through dividends and taxes. Our drilling operations create positive economic impact by producing cost-efficient and lower-carbon oil and gas, ensuring reliable energy while minimising emissions. The company promotes job creation locally and globally by prioritising local procurement whenever possible.

Odfjell Drilling participates in various industry organisations and partnerships, contributing to the advancement of knowledge and skills, including the innovation of sustainable technologies. We offer apprenticeship programs and collaborate with the Norwegian Shipowners Association to provide the Maritime Trainee Program, enhancing relationships and knowledge sharing within the maritime industry. These initiatives are valuable not only to Odfjell Drilling and our workforce but also to the apprentices and trainees involved.

The supply chain function impact the local communities in which we operate by choosing local procurement whenever possible. In Namibia, we use a local service provider who coordinates and establishes a network with local goods and service providers, such as freight forwarding, laboratory services and supply base facilities with logistics personnel.

ENTERPRISE RISK MANAGEMENT

A Strategic Approach to Robust Risk Management

Enterprise risks and opportunities are identified and controlled proactively in order to protect and add value to Odfjell Drilling and its stakeholders. The Board actively shapes and assesses the nature and impact of key risks, aligning them with the Group's strategic objectives to drive positive outcomes.

Management approach

Recognising the pivotal role of robust risk management in corporate governance, the Group has in place risk management processes to safeguard operational continuity and achieve strategic objectives. The Board is confident in the adequacy of the internal controls and risk management systems in place, considering the extent and nature of the Group's activities. The Board defines risk management as encompassing the identification, evaluation, management, mitigation, review, and escalation of both risks and opportunities. It adheres to a risk management and internal control framework that aligns with the requirements set forth in ISO 31000, ensuring the resilience and sustainability of our operations in the face of diverse risks.

Risk, in the context of our operations, can take various forms, including but not limited to QHSSE, financial, legal/compliance, people, reputational, operational, climate-related, and strategic risks. Our approach to corporate risk management is comprehensive and structured. We maintain an Enterprise Risk Register that systematically identifies and reports significant risks to the Board. Additionally, we employ operational and project-specific risk registers to manage risks at their respective levels. These risk registers may also be established for individual projects or as a result of management of change reviews.

To ensure safety and mitigate risks, we conduct task-based risk assessments, including hazard identification, during the planning stages of our work. Following that, at the job site, we perform workplace assessments such as Safe Job Analysis and initiate safety checks and toolbox talks at the start of each job.

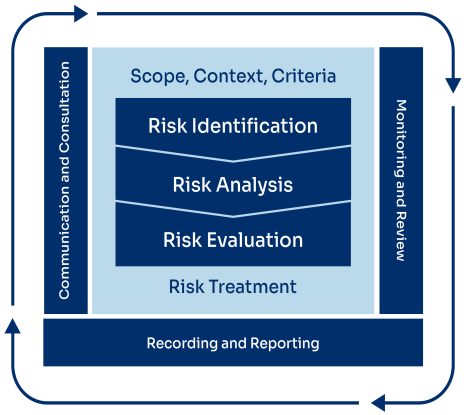
Corporate Risk Committee ("CRC")

The CRC is part of the Group's tender, procurement and operational review process. CRC ensures that tenders, client contracts, and procurements exceeding a certain value and/ or with a certain risk profile are subject to a risk assessment, including integrity risk.

The purpose of the CRC process is to identify overall business exposure and opportunities, ensure early warning of risks, arrange for risk mitigation and opportunity optimisation, establish recommendations and actions, and contribute to lessons learned across the Group. A CRC process is always required in countries with a score lower than 40 on Transparency International's Corruption Perception Index.

We also actively manage risk through internal audits, ensuring compliance with established procedures. Lessons learned reviews are conducted to improve our practices and enhance control measures. Please refer to the risk review section in the Board of Directors Report.

RISK MANAGEMENT PROCESS



OUR RISK MANAGEMENT APPROACH

- Define risk acceptance criteria
- Define requirements for systematic risk management
- Consider uncertainties before decisions are taken
- Maintain risk registers identifying risks and controls required to mitigate risks
- Rate risks based on impact and probability of occurrence
- Prioritise probability reducing measures before consequence reducing measures
- Utilise the "as low as reasonably practicable" philosophy for risk reducing measures
- Integrate risk management into the Odfjell Drilling culture and decision processes
- Establish reporting lines for risk management
- Provide risk awareness and risk management training
- Monitor risk management processes and their effectiveness
- Ensure continuous improvement of risk management processes

ANTI-CORRUPTION

Upholding integrity: anti-corruption effort

Material Topics	Impact, risk & opportunities	Target	Status
Anti - corruption	Ensure legitimate business activities and fair competition that do not expose individuals to risk. External and internal reputation and value	Zero tolerance to bribery and corruption, including own workforce and business partners	Zero known incidents of corruption related to employees or business partners ●

● Target met in 2023 ● Plan in place, on track to reach longer-term target

● Target not met in 2023 ● Plan in place, not on track to reach longer-term target

The Group is committed to conduct operations with honesty, fairness and transparency. The Group has a zero tolerance for corruption and holds its suppliers and agents to the same standards of integrity. The purpose of the management approach related to anti-corruption is to protect our reputation, maintain investor value and confidence, and form a solid foundation for our operations.

Management approach

Odfjell Drilling does not tolerate and will not get involved in unethical or illegal business. The purpose of the management approach is to avoid the possibility of corrupt practices and ensure that Odfjell Drilling, and those acting on our behalf, do so with integrity, high ethical standards and comply with relevant anti-corruption laws.

Anti-corruption policies are included in the COBC, and apply to all directors, employees and representatives of Odfjell Drilling. The COBC requires compliance with all applicable laws, as well as the Organisation for Economic Co-operation and Development convention on anti-bribery and the United Nations Declaration of Human Rights. Facilitation payments are strictly forbidden. All stakeholders can rely on the integrity of Odfjell Drilling.

Failure to know and follow the COBC may result in disciplinary action. We expect suppliers, contractors, consultants and others who are temporarily assigned to perform work for us, to follow the Ethical Principles and COBC. Failure to do so may result in termination of their contract.

Odfjell Drilling has and will, in the future, operate in countries deemed high risk by Transparency International. The Group's policies and procedures aim to identify and mitigate corruption and bribery risks and ensure reporting of concerns.

Code of Business Conduct

The COBC course is a compulsory e-learning course in our HR training portal, which all new personnel are required to complete as part of on-boarding. All personnel shall annually report and confirm compliance with the COBC. In addition, exposed personnel are required to take refresher courses.

The Group holds regular information and training sessions to promote compliance with applicable laws, rules and regulations. This includes applicable laws relating to insider trading and anti-corruption laws relating to bribery and corruption. Employees working in Namibia participated in workshops related to anti-corruption in 2023, to ensure compliance with the COBC and local regulations. Through procedures and training tools, Odfjell Drilling seeks to ensure that all personnel are aware that any suspicious activity, particularly in relation to bribery and corruption, must be reported.

Odfjell Drilling's whistleblowing portal enables personnel and others to report infringements of the COBC or other ethical/critical concerns. The portal is accessible for external parties, including clients and suppliers. It is available from the Odfjell Drilling website and intranet in English. An anonymous two-way dialogue may be initiated between the whistleblower and the case investigator from the Group's compliance team. All reported cases are processed seriously, and the compliance team responds to the whistleblower without unreasonable delay.

Personnel will not be retaliated against for making a good faith report. Cases of significant importance are reported to the Audit Committee and to the Board. Odfjell Drilling prohibits retaliation against anyone who reports or participates in an investigation of a possible violation of the COBC, other Group policies or the law. Individuals who report in good faith or are involved in investigations will receive protection and support. Odfjell Drilling encourage everyone to speak up about any wrongdoing and feel confident and safe to do so.

Conflict of interest

According to the Ethical Principles and the COBC, personnel shall avoid conflicts of interest and circumstances which might result in a perceived conflict. Personnel shall report any potential conflict of interest in the business compliance portal. External board positions and ownership in businesses that may be perceived to be in conflict with the Group's interests, shall be reported. Such businesses can be existing, prior or potential competitors, clients or suppliers of the Group.

Personnel may not accept any personal gift from existing or potential suppliers, vendors, clients or government representatives. Exceptions can be made if the gift has insignificant value or a refusal to accept is discourteous or otherwise harmful to the Group. If the gift is accepted it must be reported in the business compliance portal. This applies equally to the offering of gifts to existing or potential suppliers, vendors, clients and government representatives.

Due diligence

All clients, contractors, suppliers, agents and other third parties are subject to risk assessments according to Odfjell Drilling requirements, including corruption risk assessments, to ensure that the risks are known, understood and acceptable. Prior to any form of commitment, entering into agreements, or placing orders with new unknown third parties, a series of risk assessments is conducted.

The suppliers/third parties are categorised based on type of transaction or agreement, geographical area of operation and residing jurisdiction, based on Transparency International's Corruption Perception Index, and type of corporation. The risk category determines the process for evaluating a supplier/third party. A potential high-risk supplier/third party requires detailed integrity due diligence to be performed by the Compliance Officer.

Business opportunities will occasionally materialise in countries and regions where use of agents is common practice. Agent agreements, including renewals, are reviewed by the CRC. The corporate legal department shall review the draft agreement prior to CRC review. A positive conclusion from CRC is required before signing an agent agreement. The Compliance Officer maintains a list of all agent agreements entered into by the Group and is responsible for periodic reviews of agents, with the aim to confirm the agent’s continuous compliance with the Group’s standards.

Performance evaluation

Data from the whistleblowing portal is used to report any cases of corruption. Data from the BAS system is used to measure the number of due diligences performed. Data from our e-learning portal is used to measure the number of employees who have undergone anti-corruption training and confirmed compliance with the COBC.

There were no confirmed incidents of corruption or incidents in which employees were dismissed or disciplined in 2023. We had no confirmed corruption incidents that resulted in termination or non-renewal of contracts with business partners, or public legal cases regarding corruption brought against any Group company or its employees. One potential supplier was not approved due to suspicion of non-compliance with our COBC.

Commitment to fair competition

The Group is an independent competitor, sets its own prices, decides its terms and conditions of sale, and selects its own clients. The Group competes in a fair and ethically justifiable manner, within the framework of applicable competition and anti-trust laws of the markets in which the Group operates. To ensure adherence to these standards, Odfjell Drilling places a strong emphasis on the continuous training of key personnel and the enforcement of the Competition Compliance Procedure and COBC, which together foster an environment of fair competition and compliance across all operations.

Procedures and training of personnel

Fair competition is an important element in Odfjell Drilling's Competition Compliance Procedure and the COBC. These procedures clarify responsibilities, give personnel practical advice, explain the implications of infringement, and provide internal contacts for further assistance. All business decisions shall be made on the basis of an independent business judgement, and not due to indirect contact with competitors. These principles apply to the entire Group in all its activities. All employees shall strictly comply with any applicable competition law. Regional managers are responsible for ensuring that all new employees involved in marketing and sales activities understand the Competition Compliance Procedure.

The Group carries out training of key personnel periodically. Training sessions typically include a presentation of competition rules, with discussions based on practical examples and experiences. The objective of the training is to focus on information sharing with clients, partners and competitors, covering what is allowed, what is not allowed and what to do if put in a difficult position.

Management agreements

Odfjell Drilling is the manager of four drilling units owned by external parties. The Group has established separate guidelines and systems for ensuring compliance with competition law in relation to managed units, including but not limited to guidelines on appointment of clean persons and restrictions on information sharing.

Training needs are continuously evaluated, and sessions are documented with attendance records and documentation of scope. There are no legal actions pending or completed regarding anti-competitive behaviour or violations of anti-trust/ monopoly legislation in which Group companies have been identified as a participant during 2023.

SUPPLY CHAIN MANAGEMENT

Responsible supply chain governance

Supply Chain Management ("SCM") encompasses all purchasing and logistics functions, playing a pivotal role in ensuring smooth and efficient operations. Our global network of suppliers, spans various types, including providers of drilling equipment, spare parts, safety gear, operational consumables, and diverse services. We value engagement with key suppliers through consistent audits, reviews, and meetings, reflecting our dedication to reducing emissions and promoting human rights within our supply chain.

Optimalisation through standards and management structure

Odfjell Drilling SCM is organised centrally as part of the Global Business Services provided by Odfjell Technology. All main processes and procedures for SCM are applicable to all business units. SCM adheres to a global standard that governs ERP, SCM training, and parts catalogue code structure.

In preparation for the ESRS, we are improving our risk assessment of suppliers by upgrading our systems and integrating ESG risk factors. The Group actively work on reducing surplus stock and optimising inventories by monitoring process compliance, efficiency, and effectiveness consistently across operational units.

Supplier code of conduct

All suppliers are required to sign the Supplier Code of Conduct, which defines the basic requirements concerning their responsibilities to maintain high ethical standards, adhere to all applicable laws and avoid impropriety or conflicts of interest. This is to assure our governance and ethical standards are met down through the supply chain.

By signing our Supplier Code of Conduct, the supplier agrees to the following requirements:

- compliance with applicable laws, rules and regulations of their country of origin as well as applicable laws and regulations in countries of operation.
- prohibition of offer or acceptance of business courtesies – gifts, hospitality, expenses or any benefit – where these could constitute, or appear to constitute, an undue influence.
- avoidance of infringing the human rights of others and address adverse human rights impacts of the business. This includes the protection of health and safety of employees.
- work to promote environmental protection in accordance with applicable statutory and international standards and work to avoid environmental pollution.
- avoid all conflict of interest.
- maintain accurate and complete company business records.
- compete within the framework of competition rules in its markets of operation.

Local procurement

Local procurement is a priority whenever possible and practical. In Canada and Namibia, our local procurement efforts have reached 50% and 10%, respectively. Having operations on a global scale, "local" is considered as in the same country as the end user.

Risk Assessment Approach

Due Diligence is an important task to reduce the risk of being involved in corruption, irregularities and other illegal or unethical affairs. The purpose of Due Diligence is to identify red flags early in order to reduce risk, make well-informed decisions, pursue opportunities and handle difficult situations with greater comfort. Due Diligence includes a financial review to get an understanding of the financial position of a Third Party in order for the Group to verify financial strength and ability to meet payment obligations. Due Diligence also includes a human rights risk assessment of the Third Party.

Odfjell Drilling has a strategic approach to prioritise which suppliers undergo risk assessments in the short and long term, and how to continuously follow up the suppliers on our Approved Vendors List ("AVL").

New suppliers

All potential new suppliers are screened through the Become A Supplier (BAS) process before they are added to an AVL within our ERP system. The main categories of risk assessment to be conducted prior to entering into an agreement with a Third Party are the due diligence procedure, Human Rights Risk assessment procedure and prequalification procedure.

Suppliers are assessed for their compliance with statutory regulations and the Odfjell Drilling COBC. Depending on the type of supplier and products/services they provide, the supplier may also be evaluated by their management system.

For suppliers and third parties categorised as low to medium risk, a standardised due diligence process is conducted during the prequalification stage by specialised personnel within the SCM department, under the authorisation of the Vice President of Supply Chain. In cases where suppliers or third parties pose a high risk of corruption, a comprehensive integrity due diligence is performed by the Compliance Officer.

Existing suppliers

Existing suppliers that have been approved by the due diligence process undergoes continuous monitoring mechanisms such as follow-up visits, periodic audits, compliance checks, financial reviews, and invoice checks to ensure sustained compliance with ethical standards.

Suppliers shall maintain and uphold Odfjell Drilling’s principles of openness and transparency and their performance is continuously monitored and followed up. The Code of Business Conduct ensures the right to audits and consequences of infringement. Suppliers are obliged to permit quality audit of its records related to its work for Odfjell Drilling by an independent auditor upon request, and shall also report concerns or breaches of the Supplier Code of Conduct in the whistleblower portal.

Suppliers onboarded before the implementation of our human rights risk assessment procedure in the BAS are being reevaluated to align with new supplier standards in accordance with the capacity of Supply Chain Management functions.

Material topics in the risk assessment process of suppliers

Performance

Supplier performance is crucial for our operations' uptime and quality. Continuous monitoring and follow-up occur throughout their lifecycle on our AVL through reviews, audits, and overall operational performance assessments.

Criticality

When assessing a supplier's criticality, we evaluate potential consequences if they fail to deliver as agreed. This assessment considers operational, financial, environmental, and safety impacts, resulting in a "High," "Medium," or "Low" criticality score based on their intended products or services. New suppliers are initially given a criticality score based on their nature and the provided goods/services. If a supplier approved for a low-critical delivery experiences a scope change to higher criticality, we may reevaluate their capability. This involves either re-prequalifying the supplier for the new scope or risk assessing the specific delivery, implementing mitigating actions for a secure and quality-assured outcome.

Environment

We assess the environmental impact in the supply chain by monitoring suppliers' daily performance. Reported non-conformances are categorised based on environmental relevance. Suppliers commit to environmental protection through our Supplier Code of Conduct. We collaborate on specific actions, including freight merging, minimising packing materials, adopting eco-friendly products, exploring additive manufacturing, digital warehousing, and embracing circular economy principles.

Anti-corruption

Odfjell Drilling uses a software-based screening process which receives and collates data from thousands of data sources across the world. Data sources are specific to the country the entity is located in. To identify potential politically exposed persons, the software screening system matches to the CIA World Leaders, Chiefs of State and Cabinet Members list, and is updated monthly. For watchlists, it matches to OFAC, HM Treasury and the EU Consolidated Files. By utilising the enhanced screening service, we link with the Regulatory Data Corporation.

SCM performed 63 supplier reviews in 2023. The scope of these reviews comprehensively addressed our supplier's management systems, compliance with agreements, safety culture, working environment and duty care verifications, employment practices, material security, etc.

Human Rights

All suppliers are committed to conduct business based on the International Bill of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, as stated in the supplier code of conduct.

The BAS process includes a separate questionnaire on risks relating to human rights down the supply chain. Suppliers categorised as "high risk" after the initial self-evaluation are handled as non-conformances and further assessed and followed up individually.

Suppliers considered "high risk" will be deactivated from our Approved Vendors List if they are not willing to improve the protection of human rights to meet our standards.

SCM performed 244 risk assessments on human rights on new and existing suppliers in 2023. There has not been identified any actual negative impact on Human Rights related to products or services the Group has purchased in 2023. 28 suppliers were identified as having a high risk for potential negative impact and are followed up individually.

The ongoing mapping of our supplier network is being conducted, with suppliers identified as having high product risk factors. We purchase textiles, such as work wear, linen and towels for our offshore operations. Raw material production and processing is an identified material risk to Odfjell Drilling because of the textiles we purchase. We also purchase drilling equipment, spare parts and electronics consisting of metals related to extraction of minerals and mining.

2023 reflections on Human Rights risk assessment

A key challenge has been suppliers' reluctance to engage in human rights due diligence, with the BAS questionnaire being avoided. This has hindered our ability to assess risks and potential violations thoroughly, slowing our risk assessment progress in 2023. To address this challenge, SCM have been focusing on enhancing the stakeholder engagement processes, aiming to more effectively put pressure on suppliers to address human rights concerns.

The first measure to improve the human rights due diligence assessment is to take better advantage of stewardship and industry collaboration. Our strategic alliance with Aker BP incorporates responsible supply chain management and encompasses supplier assessments on human rights and environmental impact considerations. This collaborative effort not only amplifies our commitment to upholding human rights but also demonstrates our dedication to minimising our environmental footprint through conscientious supplier selection and evaluation.

Secondly, the implementation of new software for stakeholder engagement and collecting sustainability data will improve the quality and scope of due diligence in 2024. In addition, the human rights data, including data coming from the value chain, will be subject to audits. This is a way of ensuring quality and continuous improvement. Odfjell Drilling strongly believes that these measures will make the Group better equipped to deal with an intricate and diverse supply chain going forward.

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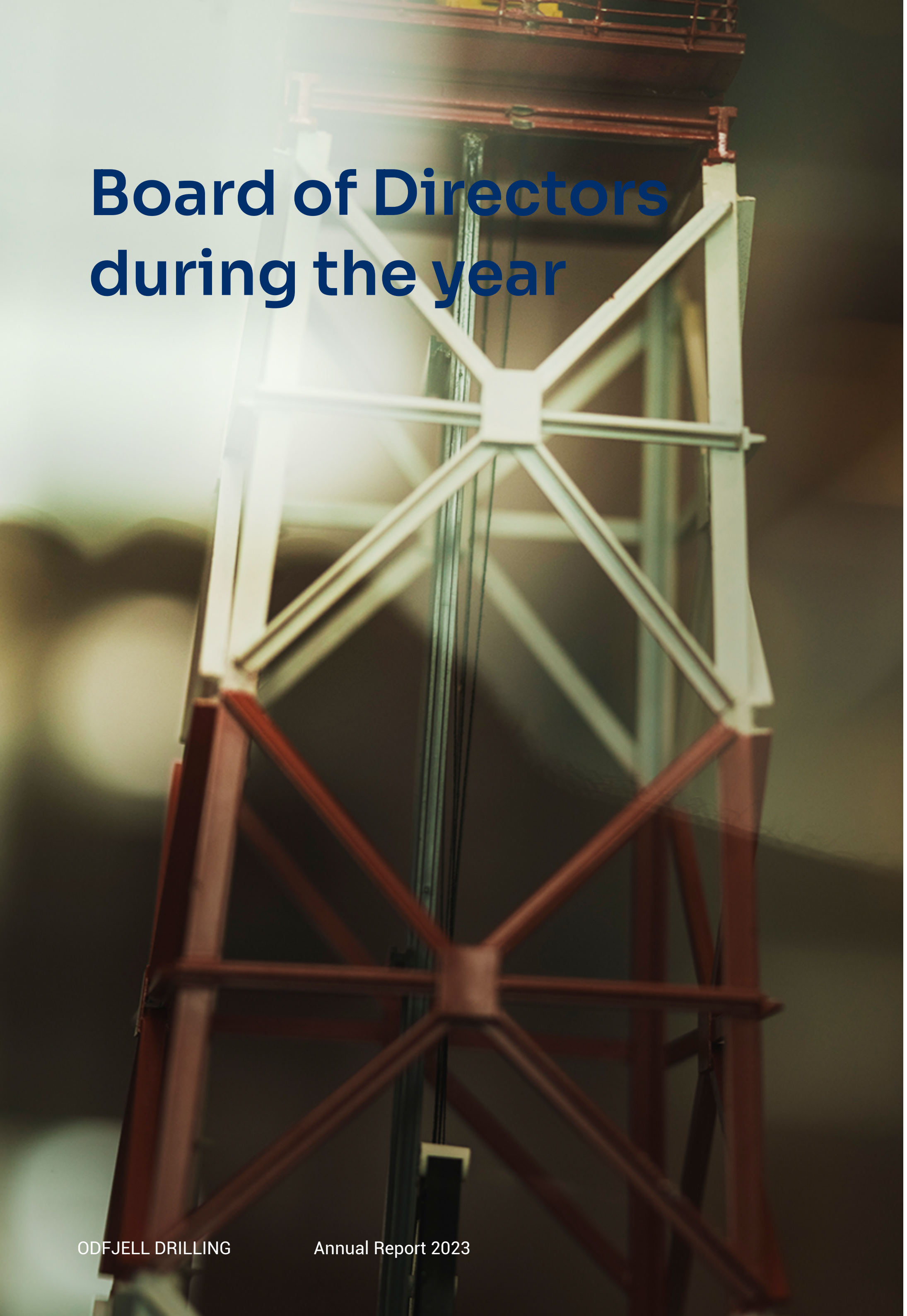
human rights risk assessments



Board of Directors during the year

Simen Lieungh, Chair

Appointed 29 March 2022

Simen Lieungh, born 1960 and a Norwegian resident, has an Msc in Mechanical Engineering from the University of Trondheim. With over 30 years experience in the global oil and gas industry, he has held various management positions and was previously CEO of Aker Solutions. He is also Chairman of the Group of Offshore Contractors (GOE) Norwegian Shipowners' Association. Mr Lieungh has been with Odfjell Drilling since 2010, previously in the role of Chief Executive Officer of Odfjell Drilling AS up until he was appointed Chair of the Board in Odfjell Drilling Ltd. He is also CEO of Odfjell Technology AS. Mr Lieungh controls 20,000 shares in the company as at 31 December 2023.

Helene Odfjell

Appointed 28 January 2010

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 years of experience in business and management and holds many board and management positions in the affiliates of the Company. Ms. Odfjell controls 142,952,381 shares in the Company as at 31 December 2023.

Harald Thorstein

Appointed 26 January 2022

Harald Thorstein, born 1979 and a UK resident, has a Master of Science Industrial Economics and Technology Management from the Norwegian University of Technology and Science. He is partner of the London based advisory firm Arkwright London Partners LLP and Chairman of the Board of Directors of Jacktel AS and B2 Impact ASA, and Director of DOF Group ASA and Yara ASA. Previous positions include Seatankers, DnB Markets, and Arkwright Norway. Mr Thorstein has extensive board experience including, AcquaShip AS, Altus Intervention, Archer, Deep Sea Supply, Solstad Offshore, Seadrill, Seadrill Partners, SFL Corp, Northern Offshore, Golden Ocean and Aktiv Kapital.

Knut Hatleskog

Appointed 3 April 2023

Knut Hatleskog, born in 1969 and a UK resident, has an extensive career in banking and finance, spanning nearly 30 years in the industry. Having served as a Managing Director and Global Head of Offshore and Oil Services for Nordea Bank and previously as Senior Vice President and Global Head of Syndications, he is currently working at IfchorGalbraiths, on the financing team. He serves on the board of both Jaco Invest AS and Marine Capital AS and was previously a member of the board of OMP Capital AS. Mr Hatleskog has an MA from the University of St. Andrews and completed the Nordea Executive Leadership program at the London Business School.

Further details on the Board can be found at www.odfjelldrilling.com.

Executive Management Team

From left to right: Erik Askvik, Director Odfjell Drilling Malta, Diane Stephen, General Manager, Håkon Klepsvik, Chief Technology Officer, Cecilie Isdahl Gjelsvik, General Counsel, Helge Maubach, SVP HR, Kjetil Gjersdal, Chief Executive Officer Odfjell Drilling AS, Michael Boysen Nielsen, Chief Commercial Officer, Janike Myre, SVP QHSSE. Frode Syslak, Chief Financial Officer Odfjell Drilling AS, Jakob Korsgaard, Chief Operating Officer Odfjell Drilling AS. Biographies can be found on our website at [Corporate management - Odfjell Drilling]

Audit Committee Report

Role of the Committee

The Audit Committee in Odfjell Drilling (the "Committee") is appointed by the Odfjell Drilling Ltd Board and has a diverse range of competence based on the expertise and experience of the members.

Key responsibilities

The Committee's primary function is to assist the Board fulfil its responsibilities to the Company and the Group in respect of:

- understanding, assessing, and monitoring business and financial risks and risk management systems
- monitoring annual and interim financial reporting with proposals to ensure its integrity
- overseeing and assessing the performance of internal control and external audit activities
- overseeing legal and regulatory compliance
- reviewing and monitoring the selection and independence of statutory auditors, maintaining contact regarding auditing of annual accounts and monitoring audit performance
- reviewing arrangements for the confidential raising and investigation of concerns in financial reporting and other matters
- preparing the Board's review of the financial reporting process and sustainability reporting, providing recommendations or suggestions to ensure integrity of reporting

The Committee operates autonomously of management and refers all views and recommendations to the Board for discussion and resolution after each Committee meeting.

Membership

The Committee consists of two Board members, one of which is considered independent, and competent in accounting or auditing. Harald Thorstein is the Chair and is independent of the Executive Management of the Group. The CFO acts as secretary of the Committee.

Meetings and attendance

The Committee holds four meetings a year with interim meetings called if required (four meetings held in 2023). Members of management, auditors, and others are invited to attend and provide pertinent information as necessary. The focus was on accurately prepared quarterly and annual reports, consistently using accounting principles defined by IFRS(R) Accounting Standards. The meetings also cover the Sustainability Report and interim and year end audit process and plans.

Documentation provided to the Committee to prepare for meetings include reports, memos and policies provided by accounting, tax, and legal experts, both internal and external.

Matters of interest and concern were promptly reported to the Board where action or improvements were required regarding any aspect of financial reporting, risk management, internal control, compliance, or audit-related activities. The Group's internal controls have been determined by the Committee to be appropriate and effective.

Activities during the year

During the year, the Committee has considered all relevant laws, regulations, codes, and applicable rules. They have reviewed tax and compliance activities and matters, as well as any material disputes.

The Committee has focused on robust documentation and reasonable judgement applied in relation to significant estimates and assumptions. This includes impairment or reversal of impairment indicators of the mobile offshore drilling units. The Committee reviewed the indicators, analysis and justification for the reversal of impairments on the Deepsea Atlantic and Deepsea Stavanger, which were recognised during the year. Judgements on uncertain tax positions were also an area of focus.

The 2023 Audit plan was presented to the Committee by KPMG, discussing focus areas. The Committee reviewed other services provided by the audit firm and found there were no indications that these services had a negative impact on the auditor's independence.

How internal control and risk management was assessed

The auditor's report to the Committee is used for understanding and improving the internal control systems of the Group.

During the year, there was a presentation on risk management in the Group and internal control and risk management in relation to financial reporting, where key processes were discussed.

Financial statements and accounting practises

The annual financial statements for the year ended 31 December 2023, as well as the external auditor's presentations, management's response, and the auditor's opinion, were reviewed by the Committee. The views of the Committee were communicated to the Board prior to its approval of the financial statements.

Corporate Governance Report

Odfjell Drilling Ltd. (the "Company") is incorporated in Bermuda and subject to Bermudan law. The Company is managed and controlled from the United Kingdom ("UK"), with its head office in Aberdeen, and the majority of the Board being UK residents, resulting in the Company being resident in the UK for tax purposes. The Group is also subject to the laws of the countries in which it operates, as well as international law and conventions.

The Company's shares are listed on the Oslo Stock Exchange therefore the Group seeks to comply with the applicable legal framework for companies listed on the Oslo Stock Exchange and endorses the Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board, revised 14 October 2021 (the "Code"). This report is prepared in accordance with section 1 of the Code and any deviations from the requirements set out in the Code are described and explained in this section of the annual report.

The Board has approved a framework of policies which apply across Odfjell Drilling Ltd and its subsidiaries (the "Group"). The objectives of the governance framework are to increase and maximise the Group's financial results, support long-term sustainable success, deliver on ESG goals and increase returns to shareholders.

Governance structure

Shareholders exercise their 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 General Meeting elects the members of the Board, details of which can be found in the Board of Directors section.

Board and committee attendance

The Board convened twelve times during 2023 with attendance as follows:

	Board Members	Audit Committee
Helene Odfjell	12/12	4/4
Simen Lieungh	12/12	N/A
Harald Thorstein	10/12	4/4
Knut Hatleskog*	9/12	N/A

** was not a director for Board meetings held in January, February and March 2023.*

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, are wider and more extensive than recommended by the Code. This is a deviation from section 2 of the Code. The Group's objectives and strategy are as follows:

The Group has five decades of operational experience. This has been used to expand internationally by offering a state-of-the-art fleet of mobile offshore drilling units to the harsh environment, ultra-deep water and deep water markets. The fleet consists of a mix of own assets and assets managed on behalf of other owners.

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 is achieved by utilising the Group's substantial track record along with investment in the latest and best technological solutions and the 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 blue-chip clients.

Equity and dividends

The Group had book equity of USD 1,394 million and a book equity ratio of 60% as of 31 December 2023. The Board regards the Group's present capital structure as appropriate.

The Company aims to maintain a quarterly dividend program. Dividend payments depend on several factors, including market outlook, contract backlog, cash flow generation, capital expenditure plans and funding requirements. They are also dependent on maintaining adequate financial flexibility, as well as restrictions under Bermuda law and financial covenants, along with other factors the Board consider relevant. The Company may also consider share buybacks as part of its distribution programme.

Pursuant to Bermuda law, the Board has wide powers to issue authorised but unissued shares on terms and conditions it may decide. Any class of shares may be issued with preferred, deferred, or other special rights, or such restrictions, with regard to dividend, voting, return on capital, or otherwise, as prescribed by the Company.

This represents a deviation from section 3 of the Code. However, 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 as recommended in the Code.

Equal treatment of shareholders and transactions with close-related parties

The Company had two classes of shares during the year: common shares and unissued preference shares, of which the common shares are listed. Each common share in the Company carries one vote, and all common shares carry equal rights, including the right to participate in General Meetings. All holders of common shares are treated on an equal basis.

The preference shares, which do not carry any voting rights, were repurchased by the Company in 2022 and were cancelled in 2023.

As is common practice for Bermuda limited companies listed on the Oslo Stock Exchange, no shares in the Company carry pre-emption rights, which is a deviation from section 4 of the Code.

The Board will arrange for a valuation from an independent third party in the event of significant transactions between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel, or closely related parties of any such parties. An independent valuation will also be carried out in the event of transactions between companies within the same group where any of the companies have minority shareholders.

Employees are required to report potential conflicts via an internal portal which is monitored and escalated to the Board if appropriate.

Any transactions the Company carries out in its common own shares shall be either through the Oslo Stock Exchange or at prevailing stock exchange prices if carried out in an alternative way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Shares and negotiability

The Company's constituting documents do not impose any transfer restrictions on the Company's common shares. These shares are freely transferable in Norway, provided that the Bye-laws include a right for the Board to decline to register a transfer of any share in the register of members, (or refuse to direct any company appointed registrar to transfer any interest in a share), where such transfer would result in 50% or more of the Company's shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway (or, alternatively, such shares or votes being effectively connected to a Norwegian business activity). The purpose of this provision is to avoid the Company being deemed a "Controlled Foreign Company" pursuant to Norwegian tax rules. This represents a deviation from section 5 of the Code, but the Board does not foresee that this provision will impact on the free transferability of its shares.

General Meetings

The Board seek to ensure that the greatest possible number of shareholders may exercise their voting rights in General Meetings and that the General Meetings are an effective forum.

The Board ensures that for General Meetings:

- the notice, supporting documents and information on the resolutions to be considered are available on the Company's website no later than 21 days before the 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
- the registration deadline, if any, for shareholders to participate in the meeting, is set as closely as possible to the date of the meeting and pursuant to the provisions of the Bye-laws
- the Board and the chair the meeting shall ensure that shareholders can vote separately on each candidate nominated for election to the Company's Board and committees
- the members of the Board and the auditor did not attend the General Meeting, which is a deviation from section 6 and 15 of the Code
- in accordance with the Bye-laws, the Chair of the Board shall chair the meetings unless otherwise agreed by a majority of those attending and entitled to vote. If the Chair of the Board is not present, then a Chair of the meeting shall be appointed or elected at the meeting. This is a deviation from section 6 of the Code

Shareholders who cannot be present at the General Meeting will be given the opportunity to vote using proxies. 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, and it is acknowledged that this represents a deviation from section 7 of the Code. As the Board consists of non-executive directors with 75% considered independent, 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 being mindful of the importance of independence.

The Board of Directors - composition and independence during 2023

The Board consists of three independent non-executive directors and one director who is also the majority beneficial shareholder. All the shareholder-elected members of the Board are independent of the Group's Executive Management and three are independent of the Company's major shareholder. The vacant director position was filled in April 2023 by Knut Hatleskog.

The Board is comfortable that there is no conflict of interest or compromise to the independence of directors who also serve as directors on the Company's subsidiary boards. The Board has no concerns surrounding external appointments held by the directors. The Chair of the Board is determined in accordance with the Company's Bye-laws rather than the General Meeting which is a deviation from the Code.

The Board of Director's section provides further details on each director's background, skills and expertise. As of 31 December 2023 the Board consisted of three males and one female, and three of the directors are UK resident. They possess the relevant expertise, capacity and diversity as set out in the Code and are elected on an annual basis at the Annual General Meeting, with the exception of vacancies, which may be filled by the Board.

The work of the Board of Directors

The Board schedules Board meetings in advance, as well as one information meeting. Interim meetings may be convened if required.

The Chair is responsible for ensuring the Board operates effectively and carries out its duties, with assistance and support from the General Manager and Corporate Secretary.

Meetings are chaired by the Board Chair unless otherwise agreed by a majority of directors attending. If the Chair is not present, the directors shall elect among themselves a Chair. If the Chair has a material interest or involvement in a particular matter to be resolved by the Board, the Board will consider asking another Board member to chair the discussions.

A Board charter is in place which defines matters reserved for decision by the Board and is equivalent to written instructions on the work of the Board. Delegations by the Board are recorded in Board minutes, resolutions, powers of attorney or service agreements. Subsidiaries and their branches operate within decision making guidelines, involving the Board in matters of strategic importance to the Group.

The Board is responsible for the Group's value creation and sets and monitors the Group's objectives, strategy, budgets, financial performance and control of assets, as wells as risk management. The Board also monitors and approves internal controls and authorises decisions in matters of an unusual nature or of importance to the Company and the Group.

The Board has appointed a General Manager to undertake day to day management of the Company, overseen and supervised by the Board. Group operational activities are delegated to Odfjell Drilling AS with duties and responsibilities defined in a service agreement.

The General Manager, Odfjell Drilling AS CEO and CFO are regular attendees at Company Board meetings. The Board maintains oversight of operational activities through a review of reports such as operational and strategic updates, monthly financial reports, QHSSE status reports, tenders and opportunities updates and quarterly and full-year results. Updates on risk and ESG are given throughout the year.

The Board has established an Audit Committee, whose duties include supervising and reviewing the Group's annual and interim financial reporting. This Committee consists of two Board members, with one considered independent.

The Company has not established a Remuneration Committee, which is a deviation from section 9 of the Code, but it should be noted that no member of the Executive Management is represented at the Board. Accordingly, the Board does not consider such committee as necessary, as decisions regarding compensation of executive personnel can be decided by the whole Board without executive involvement at Board meetings.

The Board undertook a self-evaluation in December 2023, reviewing results in 2024.

An annual review of directors' interests is undertaken, and directors are reminded to declare potential conflicts at the start of Board meetings. 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. The Group has comprehensive corporate manuals and procedures for all aspects of managing the business. These are continuously revised to incorporate best practice derived from experience or regulatory requirements.

Routines are in place to provide frequent, relevant management reporting on operational matters. The Board is continuously updated on both capital and liquidity 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 and requirements.

The Group has established clear and safe communication channels between employees and management, to ensure effective reporting of any illegal or unethical activities in the Group, via a whistleblower reporting portal. More information is in the Sustainability Statement.

These measures ensure that considerations related to the Group's various stakeholders are an integrated part of the Group's decision-making processes and value-creation.

The Board also recognises its responsibilities for 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 Odfjell Drilling's Ethical Principles and described in detail in the COBC. The Core Values and COBC are available on www.odfjelldrilling.com.

Further 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. Compensation to the Board reflects the responsibility, expertise, and level of activity in both the Board and any committees. The remuneration is not linked to Group performance and no share options are granted to Board members.

During the year, advisory services were provided by the director Harald Thorstein via Arkwright London Partners LLP, where Mr Thorstein is a partner. A total of £20,000 was spent on consulting services to provide support during the refinancing process. Other than detailed above, 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 in 2023.

More detailed information can be found in the Executive Remuneration Report. Remuneration of the Executive Management

Pursuant to Bermuda law and common practice for Bermuda incorporated companies listed on the Oslo Stock Exchange, the Board determines the remuneration of Executive Management. The remuneration of Executive Management for 2023 can be found in the Executive Remuneration Report.

Guidelines for the remuneration of Executive Management can be found in the Executive Remuneration Policy, which was approved in the 2022 AGM and can be found on our website www.odfjelldrilling.com. The policy for executive remuneration looks to use performance related remuneration by way of a variable bonus capped at 100% of salary and share option schemes for certain executives. The Remuneration Policy is set to attract and retain Executive Management of sufficient calibre. It also aims to align with shareholder's interests and the Group's strategy, long term interests and financial viability.

Currently, the determination of variable bonuses is made by the Board at a holistic level, rather than by analysing detailed components with weightings, criteria, targets and performance achieved ratings and therefore deviates from section 12 of the Code.

Information and communication

The Company has established guidelines for reporting to the market and is committed to providing timely and precise information to its shareholders, 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, press releases, notices to the stock exchange and investor presentations. In these communications, the Company aims to clarify its long-term potential, including strategies, value drivers and risk factors. The Company maintains an open and proactive approach for investor relations with detailed investor relations information, and contact information, available on the Company website.

An annual financial calendar is published with dates of important events such as the AGM, publishing of interim reports and financial stock market presentations.

The Company discloses all inside information as legally required unless exceptions apply and are invoked. Information will be provided about certain events, e.g. dividends, amalgamations, mergers/demergers, changes to the share capital, issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by the Company and related parties.

The Company has considered communication with shareholders to ensure relevant information is shared with them in compliance with applicable laws and regulations. Shareholders can communicate with the Company through question and answer sessions on quarterly calls.

Information to the Company's shareholders is posted on the Company's website as well as published through the Oslo Stock Exchange. Shareholders can contact the Investor Relations e-mail address (IR@odfjelldrilling.com).

Take-overs

The Company will follow key principles from the Code for how to act in the event of a take-over offer. The Board will ensure that shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board will also ensure shareholders have sufficient information and time to assess offers. The Board shall:

- ensure the offer is made to all shareholders, and on the same terms
- not undertake actions intended to give shareholders, or others, an unreasonable advantage at the expense of other shareholders or the Company
- strive to be transparent about the take-over
- not institute measures with the intention of protecting personal interests of its members at the expense of shareholder's interests
- be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded

The main underlying principles shall be that the Company's common shares shall be kept freely transferable and that the Board and the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the General Meeting in accordance with applicable law. This includes only entering into agreements with a bidder to limit the Company's ability to arrange other bids if it is in the interests of the Company and its shareholders. Payment of financial compensation to a bidder if the bid does not go ahead should be limited to costs incurred by the bidder.

If an offer is made for the Company's common shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether the shareholders should accept. If the Board finds itself unable to give a recommendation, it should explain the reasons for this, being clear whether the views expressed are unanimous, and if this is not the case, explain why specific members of the Board do not concur.

The Board shall consider whether to arrange a valuation from an independent expert. If the bidder is a member of the Board, close associate of a member, has recently been a member of the Board or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder. Any such valuation should be enclosed with the Board's statement or reproduced or referred to in the statement.

Auditors

The Group have appointed KPMG as Group auditor, with their reappointment approved at the 2023 AGM. The auditor participates in a Board meeting in which the annual accounts are presented, and during which, the executive personnel leave to allow the Board time with the auditor alone.

The auditors present highlights of the audit plan to the Audit Committee, as well as a review of the Group's internal control procedures, including identified weaknesses and proposed improvements.

There are processes in place to ensure that the Group does not utilise the services of the appointed auditor for advice beyond certain thresholds determined by the Board and in law. At the AGM, shareholders authorise the Board to determine the remuneration of the auditors, for audit work and other assignments. Details are in Note 32 - Remuneration to the Board of Directors, key Executive Management and auditor.

Executive Remuneration Report

Introduction

The Board of Directors present the Remuneration Report for 2023, which is prepared in accordance with Section 6-16 of the Norwegian Public Limited Liability Companies Act and the guidelines contained within the Norwegian Corporate Governance Board Code of Practice. It follows the Group Remuneration Policy approved by shareholders at the AGM held on 21 September 2022, which can be found at www.odfjelldrilling.com. The AGM also approved the 2022 Executive Remuneration Report. The objective is to present a clear and understandable analysis of executive remuneration and how this is linked to Group performance. This statement will be presented to shareholders in the 2024 AGM and subject to an advisory vote.

The objective of the policy is to ensure remuneration packages for executives are aligned with the Group's values, business strategy, and long-term interests, to create value for shareholders. Executive remuneration should be set at a competitive level to attract, retain, and motivate suitably qualified and experienced executives of a calibre who will deliver the Group's strategic objectives. As well as enhancing the future economic situation, the remuneration policy should also ensure environmental, sustainability and governance objectives are delivered.

2023 saw the Group's EBITDA increase from USD 308 million in 2022 to USD 329 million. The Group continues to secure backlog to give visibility of future revenue.

Highlights

Key events affecting remuneration

The 2023 EBITDA of USD 329 million reflects the ongoing cost discipline and efficient operations being delivered by the Group. Backlog stood at USD 2.1 billion at 31 December 2023 with contract extensions being secured and there was a positive cashflow before financing activities of USD 179 million.

QHSSE performance saw a reduction in the total recordable incident and the dropped objects > 40 joule frequency. The Group consistently works to ensure the safety of those working for us. Progress has been made in moving towards our net zero emission targets. Through collaboration, employee engagement and communication, and optimal resource management, the Executive Management have led the Group through an exceptional year. All eight units in the fleet have been operating during the year, some internationally. The successful refinancing exercise provides stability and security for the Group. Efficient execution of SPSs has begun on our own fleet. For these reasons, the Board approved the payment of bonuses for 2023.

Key changes in Directors and Executive Management

Knut Hatleskog was appointed as a director on 3 April 2023 filling the vacancy left by the resignation of Thomas Marsoner on 9 November 2022.

Change to policy or its application

There were no changes to or derogation from the policy during the year.

Overview

Remuneration of the Board of Directors

Set out below are details of the fees paid to directors and shares in the Group held by directors for the current and previous reporting period.

Fees were held at the 2022 level. Director's fees are not linked to the performance of the Group or to share options and are approved at the AGM.

Name of Director and position *USD thousands*	Year	Board Fees	Chair fees	Audit Committee	Other Directorships	Total Remuneration	No of shares owned
Helene Odfjell, Non-Executive Director and Chair until 29 March 2022	2023	35		5		40	142,952,381
	2022	39	10	4		53	142,952,381
Harald Thorstein Non-Executive Director - appointed 26 January 2022 and	2023	35		10		45	
appointed Chair of Audit Committee 29 March 2022	2022	36		8		44	
Simen Lieungh, Non-Executive Director and Chair - appointed 29 March 2022	2023	35	35			71	20,000
	2022	29	29			58	
Knut Hatleskog - appointed 3 April 2023	2023	26				26	
Susanne Munch Thore, Non-Executive Director - resigned 29 March 2022	2022	10		3		13	3,000
Alasdair Shiach, Non-Executive Director - resigned 29 March 2022	2022	10			1	11	
Thomas Marsoner, Non-Executive Director - resigned 9th November 2022	2022	32				32	

1. Includes shares held by related parties.
2. Payments are made for additional roles such as chair, or committee membership, reflecting the time commitment required.
3. Fees are paid in currency other than USD, so amounts are subject to exchange rates applicable at the time of payment.
4. Other than reimbursement of expenses incurred in fulfilling their duties, there are no other elements of remuneration.

Remuneration of Executive Management

		Fixed remuneration			Variable remuneration						
Name of Director/Executive and position	Year	Base Salary	Fees	Fringe benefits	One-year variable	Multi-year variable	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
Remuneration of Executive Management for the reported financial year from the company (Odfjell Drilling Ltd) -USD thousands											
Diane Stephen, General Manager Odfjell Drilling Ltd (50% part-time from 28 March 2022)	2023	103		6	25			5	134	85%	15%
	2022	116		7	23			6	152	85%	15%
Remuneration of Executive management for the reported financial year from undertakings of the same group - USD thousands											
Kjetil Gjersdal, CEO Odfjell Drilling AS (from 28 March 2022)	2023	443		25	355			17	892	54%	46%
	2022	308		19	263			13	604	56%	44%
Simen Lieungh, CEO Odfjell Drilling AS (until 28 March 2022)	2022	189		7	130	1,507		5	1,839	11%	89%
	2023	209		13	177			12	412	57%	43%
Frode Skage Syslak, CFO Odfjell Drilling AS (from 28 March 2022)	2022	155		10	117			12	294	60%	40%
Jone Torstensen, CFO Odfjell Drilling AS (until 28 March 2022)	2022	84		7	62			5	159	61%	39%

1. Base salary - Set at a competitive rate reflecting the responsibilities of the role, the skills and experience of the individual and market conditions for the industry.
2. Fringe benefits - includes car allowances (in line with rates set across the manager population), private medical healthcare, life and income protection insurance, etc, all of which are in line with the benefit packages offered to the general employee population in the jurisdiction they are employed in.
3. Variable remuneration - The criteria and measurement for bonus payments are aligned to both Group performance against targets and an individual's personal performance, and are set out in annual Personal Business Commitments (PBC). Criteria for Group performance include achieving financial, strategic, and other targets. Criteria for personal performance are based on:QHSSE results and improvement over previous year, employee satisfaction within area of responsibility, demonstration of a holistic approach to Group challenges, encouraging collaboration across the Group, optimal resource and competence management, being visible, accessible, and acting as a role model, and efficient and clear communication and provision of information in own area. The one-year variable bonus payments are capped at 100% of fixed annual salary and there are no reclaim provisions.
4. The General Manager is employed by Odfjell Technology Ltd and amounts disclosed represent a recharge of 50% of costs applicable to the role of General Manager for Odfjell Drilling Ltd.
5. Long term bonus agreement – In April 2021 Simen Lieungh was granted a long term bonus agreement for a maximum accumulated value of NOK30 million. The agreement is valid for 3 years from 1 January 2021 and is conditional upon him being CEO of Odfjell Drilling AS. (It may be renegotiated in case of any restructuring of the Group). As this amount is at the discretion of the Board it is only accounted for when paid. This agreement was terminated in 2022.
6. Pension – Executive Management participate in the same pension plan, on the same terms, as all other employees in the jurisdiction they are employed in, with the exception of Kjetil Gjersdal, who is on a defined benefit plan which existed when he joined the Group.

The table above shows the fixed and variable elements of remuneration to Executive Management employed at any point within the Group for the current and previous reporting period. It should be noted that assessment of the performance of Executive Management against the criteria set out in their PBC is done on a holistic level when determining the level of variable bonuses. For this reason the report does not analyse detailed components with weightings, criteria, targets and performance achieved scores.

Share options awarded or due to Executive Management

The intention of the share programme described below, is to link reward to the creation of value for shareholders through increased share price.

The main conditions of share option plan	
Specification of plan	The programme grants the option to purchase common exercisable shares in five equal tranches. The Company can choose to settle the options by a cash payment
Performance period	5 years
Award date	27.06.2022
Vesting date	27.06.2023, 27.06.2024, 27.06.2025, 27.06.2026, 27.06.2027
End of holding period	02.07.2027
Exercise period	The Option Holder may only exercise the vested shares in each relevant Tranche of Options in full, and within 5 working days after each Vesting Date. Any Tranche of Options not exercised in an Exercise Period can be carried forward and exercised in a future Exercise Period. Any options not exercised by the end of the period will be terminated.
Strike price of the share	NOK23.37

1. As at 31 December 2023 there were no share options subject to a performance condition or to a holding period

Information regarding the reported financial year	Kjetil Gjersdal, CEO Odfjell Drilling AS	Frode Skage Syslak, CFO Odfjell Drilling AS
OPENING BALANCE		
Share options awarded beginning of year	750,000	400,000
Share options vested	-	-
DURING THE YEAR		
Share options awarded	-	-
Share options vested	150,000	80,000
CLOSING BALANCE		
Share options vested	150,000	80,000
Share options awarded and unvested	600,000	320,000

Executive Management share ownership and terms as at 31 December 2023

Name and position of Executive Management	Shares owned	Notice period and severance pay entitlement	Pension scheme
Diane Stephen, General Manager Odfjell Drilling Ltd	0	6 months	Standard UK defined contribution scheme
Kjetil Gjersdal, CEO Odfjell Drilling AS	40,000 +2,450 owned by close associate	6 months + 12 months Severance Pay	Norway defined benefit pension scheme
Frode Skage Syslak, CFO Odfjell Drilling AS	25,000	6 months + 6 months severance pay	Standard Norway defined contribution pension scheme

Comparison of remuneration and Group performance over 5 years

The table below sets out the development in executive remuneration along with key indicators of the Group's performance and the development of general employee remuneration.

	2019	% change on prior year	2020	% change on prior year	2021	% change on prior year	2022	% change on prior year	2023	% change on prior year
Director's and Executive's remuneration - USD thousands										
Helene Odfjell, Non-Executive Director and Chair	85	204%	74	-13%	87	18%	53	-39%	40	-25%
Susanne Munch Thore, Non-Executive Director	36		53	47%	55	5%	13	-77%		
Alasdair Shiach, Non-Executive Director	22		40	82%	49	21%	11	-77%		
Thomas Marsoner, Non-Executive Director	22		37	68%	44	18%	32	-27%		
Harald Thorstein, Non-Executive Director							44		45	2%
Simen Lieungh, Non-Executive Director and Chair							58		71	22%
Knut Hatleskog, Non-Executive Director									26	
Diane Stephen, General Manager Odfjell Drilling Ltd					223		152	-32%	134	-12%
Simen Lieungh, CEO Odfjell Drilling AS	2,631	162%	2,333	-11%	1,809	-22%	1,839	2%		
Kjetil Gjersdal, CEO Odfjell Drilling AS							604		892	48%
Atle Sæbø, CFO Odfjell Drilling AS	537	-1%	512	-5%	476	-7%				
Jone Torstensen, CFO Odfjell Drilling AS					104		159	53%		
Frode Skage Syslak, CFO Odfjell Drilling AS							294		412	40%
Group Performance - USD Thousands										
EBITDA	331,759	28%	420,403	27%	303,541	-28%	308,004	1%	328,506	7%
Net profit	40,820	49%	143,304	251%	73,852	-48%	129,597	75%	222,090	71%
Backlog	2,300,000	-4%	2,300,000	0%	2,100,000	-9%	1,900,000	-10%	2,100,000	11%
Leverage ratio	3.8	0%	2.5	-34%	3	20%	2.5	-17%	2	-20%
Average remuneration of employee on a full-time equivalent basis - USD thousands. (includes salary, benefits, bonuses and employer pension contributions)										
Employees of the Company	267		252	-6%	167	-34%	119	-29%	182	53%
Employees of the Group	111	-2%	110	-1%	117	6%	134	15%	138	3%

Board Of Directors Report

Odfjell Drilling Ltd. (the "Company") is the parent company of the Odfjell Drilling group, comprised of the Company and its subsidiaries (the "Group"). The Group owns and operates a fleet of high quality mid-water to ultra-deep-water harsh environment mobile offshore drilling units, as well as managing units on behalf of other asset owners. Our client base consists primarily of major oil and gas companies and the Group has five decades of experience in the industry. The Company has been listed on the Oslo Stock Exchange since 2013.

In March 2022, the Group spun-off its Well Services, Energy and Global Business Services areas into a new group under Odfjell Technology Ltd ("OTL"), which listed on the Oslo Stock Exchange.

Business and market overview

History

Odfjell Drilling was founded in 1973 and began operating as a drilling contractor in 1974. 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.

The Group has extensive contracting experience, operating in a number of jurisdictions over the years. The Group has operational expertise in semi-submersibles, jack-up platforms and drill ships, as well as modular drilling and well intervention rigs.

Corporate structure

The Company is an exempted company incorporated in Bermuda, registration number 37607, with its registered address at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda, and it is tax resident in the United Kingdom with its head office at Prime View, Prime Four Business Park, Kingswells, Aberdeen, AB15 8PU.

Information regarding related parties can be found at Note 31 - Related parties - transactions, receivables, liabilities and commitments.

The Group has two main business segments:Own fleet and External fleet.

Operational management are primarily located in Norway, UK and Malta. Rigs are owned by UK companies who are tax registered in Malta.

Corporate strategy

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

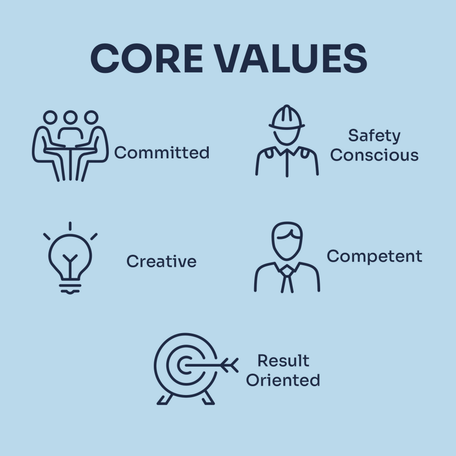
Quality, Health, Safety, Security and Environmental Management are of paramount importance, and we strive for high quality performance and safe and secure operations through continuous improvement programmes. We aim for organisational robustness, zero injuries and failures, strong cyber and physical security, and stringent well controls, delivered by a competent and motivated workforce. Our onshore support centres work collaboratively in real time with our operations teams.

This philosophy defines not only the team-focused character of the Group, but also the way we run our rigs. We have invested in onshore support centres to operate as the nerve centres of our 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

We have a clearly defined process for developing and managing strategic direction which involves analysis, planning, monitoring, and execution. Our corporate strategy and business model is explained in more detail in the Strategic Report.

Odfjell Drilling has five Core Values that define and instruct our business.



Equity and shares

The Group had book equity of USD 1,394 million and a book equity ratio of 60% as at 31 December 2023.

The Company has one class of share in issuance, being the Common shares, and has authorised but unissued Preference shares. Each common share carries one vote, and all shares carry equal rights, including the right to participate in General Meetings and all shareholders are treated on an equal basis.

Preference shares issued to an affiliate of Akastor ASA were repurchased in November 2022. In October 2023, the Company cancelled all the 16,123,125 treasury preference shares.

The shares and negotiability section of the Corporate Governance Report details the transferability of common shares. The number of ordinary shares issued in Odfjell Drilling Ltd. as at 31 December 2023 is 236,783,202.

The Company has 6,837,492, outstanding warrants with exercise prices ranging from NOK 31.20 - NOK 93.15. The warrants remain exercisable in six equal tranches from 2019 to 2024.

On 27 June 2022, the Company implemented a long term incentive share option plan. A total of 1,850,000 options have been awarded to certain employees at a weighted average strike price of NOK 24.07 per share.

The Company is not aware of any shareholder or other agreements which limit trading of the Company's ordinary shares or voting rights as at 31 December 2023.

Taxation

The Company and some of its subsidiaries, are governed from and tax resident in the United Kingdom ("UK"). Three out of four directors of the Company are UK residents. The Company has published its tax strategy on its website in compliance with the UK Finance Act 2016 Schedule 19.

The aim of the tax strategy is to support the business by maintaining a sustainable tax rate, while mitigating tax risks and complying with rules and regulations in the jurisdictions in which Odfjell Drilling operates.

The Group maintains internal policies and procedures to support its tax control framework and provides training to its personnel to manage tax risks.

The tax strategy aligns to the Group's wider risk and control framework, with key tax risks and issues escalated to and considered by the Audit Committee and Board of Directors regularly.

The Group may operate in different countries and is exposed to a variety of tax risks such as compliance and reporting, transactional and reputational.

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 global tax legislation means it is often not possible to mitigate all known tax risks. As a result, the Group may be exposed to financial and reputational risks arising from its tax affairs.

The Group acknowledges its responsibility to pay the level of tax required by the laws of the jurisdictions in which it operates and also its responsibility to its shareholders to structure its affairs in an efficient manner.

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

Focus areas

During 2023, Odfjell Drilling successfully executed a planned refinancing exercise, raising USD 390 million via a bond, as well as extending and securing bank facilities of USD 497 million. This has removed any significant maturities until 2028 and paved the way for distributions in the form of dividends to be allowed which has been a main area of focus. Securing backlog has been another main areas of focus, and this involves exploring more international opportunities for new contracts as well as securing contract extensions.

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 all operations and functions. We have an emissions reduction roadmap to help us achieve our net zero target by 2050.

Our human rights statement can be found on our 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. Details on executive remuneration, can be found in our Executive Remuneration Report.

More detail on these matters can also be read in our Sustainability Statement.

Taxonomy report 2023

Taxonomy reporting requirements

Odfjell Drilling reports in accordance with the EU Taxonomy Regulation (2020/852), including the supplementing Disclosures Delegated Regulation (2021/2178). The CFO function is responsible for the taxonomy report and underlying assessments.

Taxonomy eligible- and aligned activities

Odfjell Drilling had no taxonomy eligible economic activities in 2023. The assessment of eligibility was conducted based on the described activities in the Climate Delegated Regulation (2021/2139). The basis of the assessment was the total revenue, capital expenses and operating expenses for Odfjell Drilling in 2023. The assessment was done by members of the corporate management, finance function and internal and external stakeholders and subject matter experts on our sector. Assessment of alignment with the taxonomy was not relevant for 2023 reporting.

Taxonomy reporting going forward

The Group closely follows developments within the taxonomy reporting requirements. In 2024 the main focus will be to expand the assessment of eligible activities to the Environmental Delegated Regulation (2023/2486). The Group will continue doing assessments to identify eligible activities, especially in relation to new operations and investments.

Growth

Demand has been high with a number of contract renewals and tenders won, particularly for our own fleet. The refinancing carried out during the year secures additional flexibility for strategic and growth opportunities. We are open to expanding capacity in a commercially secure manner by taking on the right assets, meeting the demands of the market, and with visibility of future work.

Diversification

The expanded fleet has opened up deepwater opportunities elsewhere in the world, with Deepsea Mira, Deepsea Bollsta and Hercules deployed to Namibia and Hercules returning to work in Canada.

Segment Overview

Own Fleet

The Group's own semi-submersible drilling units operated across multiple projects in Norway during 2023, and were awarded a number of contract extensions, as well as extending our alliance agreement with Aker BP ASA and Haliburton AS for a further 5 years.

The Deepsea Stavanger worked with Equinor in the Norwegian Continental Shelf. Equinor exercised further work under the continued optionality mechanism extending firm backlog to Q4 2024, with options to exercise further wells. The rig also has a five-year firm contract with Aker BP ASA which is scheduled to commence in early 2025.

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.

The Deepsea Nordkapp was on contract with Aker BP as part of the alliance framework agreement. The rig worked on various exploration and development fields on the Norwegian continental shelf and following a contract extension, is now firm until the end of 2026 with rolling one-year unpriced optional periods thereafter. Towards the end of 2023, the SPS for Deepsea Nordkapp was completed successfully, entirely at sea with no downtime.

External Fleet

Our external fleet were deployed internationally during 2023, other than Deepsea Yantai which operated in Norway.

Deepsea Yantai was stacked in Bergen until late January 2023 when it then commenced a sequence of wells for OMV, Wellesley Petroleum, DNO Norge AS, Neptune Energy Norge, and Vår Energi. Thereafter, the rig is committed with Neptune Energy, Vår Energi , PGNiG Upstream Norway AS, A/S Norske Shell, DNO Norge AS and ConocoPhillips Skandinavia AS, which will take the rig up to Q1 2025.

The Deepsea Mira commenced operations in Namibia in June under a multi-country drilling contract with TotalEnergies.

Deepsea Bollsta has been in Namibia for Shell and will continue there until mid 2024 when it will undergo it's SPS.

Following the completion of the SPS and upgrade programme on Hercules, the rig drilled 1 well in Canada for ExxonMobil before transiting to Namibia to carry out operations for GALP Energia. In 2024, it will return to Canada for a contract for Equinor ASA.

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. With contracts being extended, we have firm backlog to at least 2026 and extending out to the end of 2029 when options are included.

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.

For the external fleet there is ongoing tendering activity, with free capacity available from Q2 2024 to meet demand.

We see opportunities in West Africa and Canada and both harsh environment and deep water. The amount of operators in Namibia continues to increase, and we have seen a number of semi-submersibles exit the Norwegian market over the last 18 months.

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

Consolidated Accounts (comparable figures in brackets.)

Income Statement

Odfjell Drilling generated operating revenue of USD 732 million in 2023 (USD 650 million), an increase of USD 82 million. There is an increase in both segments.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was USD 329 million (USD 308 million), an increase of USD 21 million.

The operating profit ("EBIT") amounted to USD 306 million (USD 137 million), an increase of USD 169 million, mainly due to the USD 163 million reversal of impairment losses recognised in prior periods. Refer to Note 10 Tangible fixed assets for further information.

Net financial expenses amounted to USD 84 million (USD 48 million). The increase of USD 36 million was mainly explained by increased interest expenses of USD 20 million due to interest rate changes. The 2022 figures also include a gain from settlement of interest rate swaps of USD 14 million.

The income tax expense amounted to USD 0.3 million (USD 5.4 million). The 2023 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 7.5 million being recognised in 2023.

The net profit from continuing operations for the Group was USD 222 million (USD 83 million). Net profit including discontinued operation was USD 222 million (USD 130 million).

Balance Sheet

Consolidated total assets as at 31 December 2023 amounted to USD 2,309 million (USD 2,219 million).

Total non-current assets amounted to USD 2,055 million (USD 1,949 million), an increase of USD 104 million mainly due to the reversal of impairment.

Current assets amounted to USD 254 million (USD 270 million), of which USD 129 million was cash and cash equivalents (USD 157 million).

Total equity amounted to USD 1,394 million (USD 1,208 million), an increase of USD 186 million. The equity ratio was 60% (54%).

Total liabilities amounted to USD 915 million (USD 1,011 million), reflecting a decrease in gross interest-bearing borrowings of USD 131 million. Net interest bearing debt amounted to USD 582 million (USD 685 million).

Cash Flow

(Comparable figures in brackets include continuing operations only)

Cash flow from operating activities amounted to USD 265 million (USD 263 million). The variance of USD 41 million from EBIT is mainly explained by depreciation, impairment and amortisation offset by net interest and income taxes paid.

The cash outflow from investing activities continuing operations amounted to USD 55 million (USD 52 million), mainly due to capital expenditures. In addition, USD 31 million was paid in 2023 regarding the letter of indemnity to Odfjell Technology Ltd as part of discontinued operations.

The cash outflow from financing activities amounted to USD 196 million (cash outflow of USD 318 million). The Group had net proceeds of USD 535 million from the issuance of a bond and a new bank facility. The Group used USD 543 million in 2023 to repay loan facilities, seller's credit and a direct loan. In addition, the Group paid USD 160 million in instalments on credit facilities and leases. Dividends of USD 28 million were paid to shareholders.

Segment reporting

Own Fleet

Operating revenue for the Own Fleet segment was USD 573 million (USD 567 million). The main driver is a positive variance for Deepsea Aberdeen (USD 4 million), due to higher rate while working on the Svalin field in Q4 but partially offset by a lower day rate during Q1 2023 when compared to Q1 2022 when the rig worked for BP/Wintershall Dea. Deepsea Atlantic has a positive variance (USD 2 million) due to higher bonus. Deepsea Nordkapp has a negative variance (USD 2 million) driven by a lower day rate from Aker BP after the market adjustment from June 2022, partly offset by higher bonus in 2023. Deepsea Stavanger has a negative variance (USD 2 million) due to unplanned downtime in Q4 2023.

EBITDA for the Own Fleet segment was USD 315 million (USD 304 million), driven by improved EBITDA for Deepsea Atlantic (USD 8 million), Deepsea Aberdeen (USD 4 million), Deepsea Nordkapp (USD 1 million), but offset by reduced EBITDA for Deepsea Stavanger (USD 2 million).

External Fleet

Operating revenue for the External Fleet was USD 156 million (USD 78 million). The main driver for the increase is more rigs in operation during 2023.

EBITDA for the External Fleet was USD 24 million (USD 11 million). The main driver is higher management fee for Deepsea Mira (USD 5 million), Deepsea Bollsta (USD 3 million), and Hercules (USD 3 million) due to more days in operation than the previous year.

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. These are based on the underlying business, its current and forecast profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other factors outside the Group's control.

There is estimation uncertainty in the Group's revenue recognition, value in use calculations, useful life assessment and warrant liability measurement. There is use of significant judgement in the impairment indicator reviews, evaluation of lease terms, and considerations related to contingent liabilities.

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 Drilling Ltd., is as a holding company for investments in subsidiaries.

The Parent Company reported an operating loss (EBIT) of USD 4.2 million (USD 6.7 million), a positive change of USD 2.5 million, mainly due to loss on disposal of subsidiary related to the spin-off in the 2022 accounts of USD 3.4 million.

Interest income was USD 24 million (USD 13 million), interest expense was USD 10 million (USD 15 million).

A net profit of USD 6 million (USD 153 million) was reported. The change from last year is mainly due to dividends received in 2022.

Total assets in the Parent Company amounted to USD 993 million as at 31 December 2023 (USD 1,198 million), a decrease of USD 205 million mainly related to reduced loan receivables to subsidiaries.

Equity in the Parent Company amounted to USD 951 million (USD 1,074 million), corresponding to an equity ratio of 93% (90%).

Cash flow used in operating activities was USD 20 million (USD 1.4 million). Cash flow from investing activities was USD 114 million (cash flow used of USD 108 million). Cash flow in 2023 was mainly related to proceeds from loans provided to subsidiaries.

Cash flow used in financing activities was USD 88 million (cash flow of USD 111 million), mainly due to repayment of the direct loan of USD 95 million as well as dividend payments, partly offset by proceeds from Group borrowing 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 industry will depend, among other things, on 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.

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

Factors that, in the Group's view, could affect its results materially include: volatile oil and gas prices, global political changes regarding energy composition and developments in the renewables sector, competition within the oil and gas services industry, changes in clients' spending budgets, cost inflation, access to qualified resources and developments in the financial and fiscal markets.

Financial risk factors

The Group is exposed to a range of financial risks discussed below. The financial risk management process, carried out at a Group level, 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.

The Group identifies, evaluates, and hedges financial risks in close co-operation with the Group's operational units. The Board has established written principles for risk management of foreign exchange risk, interest rate risk and the use of derivative financial instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities, and to have sufficient cash or cash equivalents at any time, to finance its operations and investments in line with the Group's strategic plan. More details can be found in Note 22 - Liquidity Risk.

Odfjell Drilling held cash and cash equivalents amounting to USD 129 million in addition to available drawing facilities of USD 165 million at the end of 2023, which is deemed 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. Management continuously focuses on securing new profitable contracts to generate sufficient cash flow from operations, hence reducing the liquidity risk.

The Group's refinancing risk is considered low given the full refinancing exercise undertaken in 2023. Bank loan facilities do not start maturing until 2028 and the bond in Q2 2028. See Note - 17 Interest-bearing borrowings for further information about maturity of contractual amounts.

Market risk

This 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 have medium to long-term contracts.

Foreign exchange risk

The Group is exposed to currency fluctuations, primarily with respect to USD and NOK. These risks are minimised through currency hedging via financial instruments or by off-setting local currency elements in charter contracts.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. The Group evaluates the level of interest rate hedging based on assessment of total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board considers interest payment hedging of the external financing and mandates administration to execute necessary changes.

Including interest rate swaps entered into, the fixed-rate portion of the Group's interest bearing debt as at 31 December 2023 is circa 60%.

Credit risk

The main market for the Group's services is the offshore oil and gas industry, and 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.

ESG risk

ESG risks are considered in day to day operations, as well as at an enterprise risk level and in line with new legislative requirements. There are robust processes in place to assess QHSSE risks and mitigating actions. Human rights risk registers are maintained and evaluations carried out during new country entry.

Climate Risk

The Group integrates climate risks and opportunities into its overall enterprise risk management approach. In 2022, we undertook climate risk assessments aimed at reporting in compliance with both the GRI 2021 standard and the TCFD framework.

These assessments involved cross-functional teams from corporate, risk management, finance, supply chain, HR, and technical disciplines. This comprehensive analysis categorised issues into transitional and physical risks and opportunities, further distinguishing them across short-term (0-5 years), medium-term (5-10 years), and long-term (10+ years).

Following this analysis, we systematically prioritised the identified risks and opportunities based on timelines for impacting our business and implications for our organisation. This allowed us to pinpoint primary risks, assess their impact, and identify potential courses of action. Furthermore, we will actively quantify these risks to facilitate future reporting, in alignment with the ESRS.

The most significant transition risks, along with mitigating actions were:

- Medium to long term - 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
- Short to medium term - 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:

- Short to long term - 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

More information can be found in the Sustainability Statement.

Director and Officer's Liability Insurance

Odfjell Drilling 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 - see Note 2 - Basis for preparing the consolidated financial statements.

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

The upswing in the oil and gas market, with a focus to secure stable energy supply, has impacted the financial markets positively with better access to capital. Odfjell Drilling has strong backlog, a robust balance sheet with low leverage, and a long-standing relationship with its key lenders.

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 Drilling Ltd.

18 April 2024, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Financials

Consolidated Group Financial Statements

Consolidated Income Statement

for the year ended 31 December

USD million	Note	2023	2022
Continuing operations			
OPERATING REVENUE	5,6	**732.5**	**649.5**
Other gains and losses		-	0.0
Personnel expenses	7	(262.4)	(206.5)
Depreciation, impairment and amortisation	10,11	(22.1)	(171.5)
Other operating expenses	8	(141.6)	(135.0)
Total operating expenses		**(426.1)**	**(513.0)**
OPERATING PROFIT (EBIT)		**306.4**	**136.5**
Interest income		5.3	2.8
Interest expenses	8	(75.2)	(55.4)
Other financial items	8	(14.1)	4.4
Net financial expenses		**(84.0)**	**(48.3)**
PROFIT BEFORE INCOME TAX		**222.4**	**88.3**
Income tax expense	9	(0.3)	(5.4)
NET PROFIT FROM CONTINUING OPERATIONS		**222.1**	**82.9**
Profit from discontinued operations	4	0.0	46.7
NET PROFIT		**222.1**	**129.6**
Profit (loss) attributable to:			
Owners of the parent		222.1	129.6
Earnings per share (USD)			
Basic earnings per share	34	0.938	0.512
Diluted earnings per share	34	0.938	0.512
Earnings per share from continuing operations (USD)			
Basic earnings per share	34	0.938	0.315
Diluted earnings per share	34	0.938	0.315

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December

USD million	Note	2023	2022
NET PROFIT		**222.1**	**129.6**
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations (net of tax)	9,19	(0.4)	(0.0)
Items that are or may be reclassified to profit or loss:			
Cash flow hedges (net of tax)	9,23	(7.6)	10.0
Currency translation differences		(0.5)	(8.9)
Reclassification of foreign currency translation reserve	4	-	27.0
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(8.5)**	**28.0**
TOTAL COMPREHENSIVE INCOME		**213.6**	**157.6**
Total comprehensive income is attributable to:			
Owners of the parent		213.6	157.6

Items in the statement of comprehensive income are disclosed net of tax. The income tax relating to each item of other comprehensive income is disclosed in Note 9 - Income Taxes.

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

Consolidated Statement of Financial Position

USD million	Note	31.12.2023	31.12.2022
ASSETS			
Property, plant and equipment	10	2,013.0	1,937.9
Intangible assets	11	3.0	3.4
Deferred tax asset	9	8.5	0.4
Non-current receivable	28	30.2	-
Derivative financial instruments	23	-	7.5
TOTAL NON-CURRENT ASSETS		**2,054.7**	**1,949.2**
Contract assets	14	8.4	8.6
Trade receivables	15	100.0	91.0
Other current assets	12	16.6	13.3
Cash and cash equivalents	16	129.2	157.2
TOTAL CURRENT ASSETS		**254.2**	**270.1**
TOTAL ASSETS		**2,308.8**	**2,219.3**

USD million	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
Paid in equity	25	370.2	370.2
Other equity	26	1,023.9	838.3
TOTAL EQUITY		**1,394.0**	**1,208.5**
Non-current interest-bearing borrowings	17	561.8	529.0
Non-current lease liabilities	18	38.4	41.7
Post-employment benefits	19	0.7	0.6
Derivative financial instruments	23	1.3	2.8
TOTAL NON-CURRENT LIABILITIES		**602.3**	**574.1**
Current interest-bearing borrowings	17	149.6	313.5
Current lease liabilities	18	24.9	26.5
Contract liabilities	14	22.1	13.7
Trade payables		48.9	35.8
Current income tax	9	8.6	5.8
Other current liabilities	20	58.4	41.3
TOTAL CURRENT LIABILITIES		**312.5**	**436.7**
TOTAL LIABILITIES		**914.8**	**1,010.8**
TOTAL EQUITY AND LIABILITIES		**2,308.8**	**2,219.3**

The Board of Odfjell Drilling Ltd.

18 April 2024, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Consolidated Statement of Changes in Equity

		Attributable to owners of the parent								Owners equity attributable to:		
USD million	Note	Share capital	Other contributed capital	Treasury shares	Total paid in equity	Other reserves	Retained earnings	Total other equity	Equity attributable to owners of the parent	Common shares	Preference shares	Total equity
BALANCE AT 1 JANUARY 2022		**2.5**	**562.4**	**-**	**565.0**	**(109.5)**	**812.7**	**703.2**	**1,268.2**	**1,178.6**	**89.5**	**1,268.2**
Profit/(loss) for the period		-	-	-	**-**	-	129.6	**129.6**	129.6	121.3	8.3	129.6
Other comprehensive income for the period		-	-	-	**-**	28.1	(0.0)	**28.0**	28.0	28.0	-	28.0
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**28.1**	**129.5**	**157.6**	**157.6**	**149.4**	**8.3**	**157.6**
Distribution of shares in Odfjell Technology Ltd. to common shareholders		-	(119.8)	-	**(119.8)**	-	-	**-**	(119.8)	(119.8)	-	(119.8)
Cash dividend to preference shareholders		-	-	-	**-**	-	(2.2)	**(2.2)**	(2.2)	-	(2.2)	(2.2)
Acquisition of treasury preference shares		-	(74.8)	(0.2)	**(75.0)**	-	(20.2)	**(20.2)**	(95.2)	0.4	(95.6)	(95.2)
Cost of share-based option plan	33	-	-	-	**-**	0.4	-	**0.4**	0.4	0.4	0.0	0.4
Settlement of share-based option plan	33	-	-	-	**-**	(0.5)	-	**(0.5)**	(0.5)	(0.5)	-	(0.5)
Transactions with owners		**-**	**(194.6)**	**(0.2)**	**(194.8)**	**(0.1)**	**(22.4)**	**(22.5)**	**(217.3)**	**(119.5)**	**(97.8)**	**(217.3)**
BALANCE AT 31 DECEMBER 2022		**2.5**	**367.8**	**(0.2)**	**370.2**	**(81.4)**	**919.8**	**838.3**	**1,208.5**	**1,208.5**	**-**	**1,208.5**
Profit/(loss) for the period		-	-	-	-	-	222.1	**222.1**	222.1	222.1	-	222.1
Other comprehensive income for the period		-	-	-	-	(8.1)	(0.4)	**(8.5)**	(8.5)	(8.5)	-	(8.5)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(8.1)**	**221.7**	**213.6**	**213.6**	**213.6**	**-**	**213.6**
Dividends paid	25	-	-	-	-	-	(28.4)	**(28.4)**	(28.4)	(28.4)	-	(28.4)
Cancellation of treasury preference shares	25	(0.2)	-	0.2	-	-	-	-	-	-	-	-
Cost of share-based option plan	33	-	-	-	-	0.4	-	**0.4**	0.4	0.4	-	0.4
Transactions with owners		**(0.2)**	**-**	**0.2**	**-**	**0.4**	**(28.4)**	**(28.0)**	**(28.0)**	**(28.0)**	**-**	**(28.0)**
BALANCE AT 31 DECEMBER 2023	**25,26**	**2.4**	**367.8**	**-**	**370.2**	**(89.2)**	**1,113.1**	**1,023.9**	**1,394.0**	**1,394.0**	**-**	**1,394.0**

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 from continuing operations		222.4	88.3
Profit before tax from discontinued operations		-	10.3
Adjustments for:			
Depreciation, impairment and amortisation	10,11	22.1	173.8
Change in fair value derivatives	22	3.8	2.9
Net interest expense		69.9	54.0
Share of (profit) loss from joint ventures		-	0.4
Net (gain) loss on sale of tangible fixed assets		-	(0.6)
Post-employment benefit expenses less post-employment benefit payments		(0.3)	(0.0)
Net currency loss (gain) not related to operating activities		8.8	0.6
Other provisions and adjustments for non-cash items		5.2	1.6
Changes in working capital:			
Spare parts		-	(0.4)
Trade receivables and contract assets		(11.4)	(17.1)
Trade payables		(11.2)	13.3
Other accruals		17.7	(4.7)
Cash generated from operations		**326.9**	**322.4**
Net interest paid		(56.2)	(45.0)
Net income tax paid		(6.0)	(2.1)
NET CASH FLOW FROM OPERATING ACTIVITIES		**264.7**	**275.2**
• of which from continuing operations		264.7	263.0
• of which from discontinued operations		-	12.2

USD million	Note	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(66.2)	(66.6)
Proceeds from grants	10	12.7	6.4
Proceeds from sale of property, plant and equipment		-	0.9
Payment regarding letter of indemnity to Odfjell Technology Ltd.	28	(30.8)	-
Other non-current receivables and investments		(1.6)	(0.1)
Disposal of discontinued operations, net cash disposed of		-	(49.7)
Cash payments to acquire interests in joint-ventures		-	(1.8)
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(85.9)**	**(111.0)**
• of which from continuing operations		(55.1)	(52.0)
• of which from discontinued operations		(30.8)	(59.0)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	17	534.9	241.5
Repayments of borrowings	17	(680.2)	(317.1)
Repayment of lease liabilities	18	(22.7)	(18.6)
Payment acquisition of treasury preference shares		-	(75.2)
Dividends paid	25	(28.4)	(2.2)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(196.4)**	**(171.6)**
• of which from continuing operations		(196.4)	(317.5)
• of which from discontinued operations		-	145.9
Effects of exchange rate changes on cash and cash equivalents		(10.3)	(8.5)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(28.0)**	**(15.9)**
Cash and cash equivalents at 01.01		157.2	173.0
CASH AND CASH EQUIVALENTS AT 31.12		**129.2**	**157.2**

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 Drilling Ltd. and its subsidiaries (together 'the Group') operates mobile offshore drilling units.

Odfjell Drilling Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Drilling Ltd's head office is at Prime View, Prime Four Business Park, Kingswells, Aberdeen, Scotland, United Kingdom and the Company is tax resident in the United Kingdom.

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

Note 2 Basis for preparing the consolidated financial statements

Basis of preparation

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

Going concern

Factors that, in the Group's view, could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, global political changes regarding energy composition and development in the renewables sector, competition within the oil and gas services industry, changes in clients' spending budgets, cost inflation, access to qualified resources and developments in the financial and fiscal markets.

The Group's refinancing risk is considered low given the full refinancing exercise undertaken in 2023. Bank loan facilities do not start maturing until 2028 and the bond in Q2 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. Hence, the Group has adopted the going concern basis in preparing its consolidated financial statements.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, debt and equity financial assets, plan assets in defined benefit pension plans and contingent consideration that have been measured at fair value.

The preparation of financial statements in conformity with 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 listed in Note 30.

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 31.12	
	2023	**2022**	**2023**	**2022**
NOK	0.09464	0.10395	0.09831	0.10145
GBP	1.24370	1.23299	1.27150	1.20257
EUR	1.08184	1.05126	1.10500	1.06660

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 regarding estimation uncertainty is disclosed in the following notes.

- Revenue recognition (Note 6 - Revenue)
- Value in use regarding impairment reversal (Note 10 - Tangible fixed assets)
- Useful life mobile drilling units (Note 10 - Tangible fixed assets)
- Warrant liabilities measured at fair value (Note 13 - Financial assets and liabilities)

Detailed information regarding significant judgements is disclosed in the following notes.

- Evaluation of indicators of impairment (Note 10 - Tangible fixed assets)
- Provisions and contingent liabilities (Note 28 - Contingencies)
- Determination of lease term (Note 18 - Leases

Note 4 Discontinued operations

Spin-off of Odfjell Technology in 2022

In March 2022, Odfjell Drilling successfully listed Odfjell Technology Ltd as a separate entity and the shares in Odfjell Technology was distributed to the shareholders in the Company.

The results of discontinued operations in 2022 of USD 47 million are presented separately from the continuing operations as a single amount of profit. The profit includes the results of discontinued operations until distribution, net of tax, which amounted to USD 10 million. Furthermore, a gain of USD 36 million was recognised in 2022 when distributing the discontinued operation. The gain equals the fair value of the discontinued operation less the book value of the net assets distributed, adjusted for the cumulative foreign currency translation reserve in Other Comprehensive Income recycled to the income statement.

Note 5 Segment summary

Accounting policy

Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

Segment reporting

The Group provides drilling and related services to oil and gas companies. The Group owned four mobile offshore drilling units during 2021 and 2022 with similar services, revenues, customers and production processes. Own drilling units (Own Fleet) is therefore assessed as one operating segment. The same applies for rig management services provided to other owners of other drilling units (External Fleet).

Own Fleet

The segment operates mobile offshore drilling units owned by Odfjell Drilling.

External Fleet

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

	Own Fleet		External Fleet		Corporate / other		Consolidated	
USD million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
External segment revenue	572.9	567.3	156.3	78.0	3.3	4.3	732.5	649.5
Inter segment revenue	-	-	-	-	-	-	-	-
TOTAL REVENUE	**572.9**	**567.3**	**156.3**	**78.0**	**3.3**	**4.3**	**732.5**	**649.5**
EBITDA	**315.1**	**303.9**	**23.6**	**11.0**	**(10.2)**	**(7.0)**	**328.5**	**308.0**
Depreciation and amortisation	(18.8)	(167.1)	-	-	(3.3)	(4.4)	(22.1)	(171.5)
EBIT	**296.3**	**136.9**	**23.6**	**11.0**	**(13.5)**	**(11.3)**	**306.4**	**136.5**
Net financial items							(84.0)	(48.3)
PROFIT BEFORE TAX - CONSOLIDATED GROUP							**222.4**	**88.3**

Note 6 Revenue

Accounting policy - Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over rendered services to the customer.

Sometimes, the Group receives short-term advances from customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group has, as a practical expedient in IFRS 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. Rental income and the lease component of drilling contracts is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. The lease term may vary from contract to contract, and only includes the non-cancellable period of the contract with the addition of optional renewable periods if the lessee is reasonably certain to extend. None of the existing contracts have optional periods included in the lease term. The lease term is reassessed when options to extend are exercised. Contingent rents are recognised as revenue in the period in which they are earned.

Significant estimation uncertainty

There is estimation uncertainty in the Group's revenue recognition related to 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 consists 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 14 - Contract balances. Bonuses and other variable or conditional service fees are allocated to either the entire drilling operation period or to individual periods during the contract (using the series of services guidance in IFRS 15) depending on what the variable contract revenue relates to.

The costs to prepare the rig for contract and the cost for mobilisation of the rig to the drilling location, are capitalised as *Assets from contract costs* and expensed as operating cost over the drilling operations period. Refer to Note 14 - Contract balances. Demobilisation expenses are expensed as incurred.

External Fleet

The segment offers management services to other owners of drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation. The transaction price is mainly day rate based management fees, usually payable on a monthly basis. Refer to Note 14 - Contract balances for payment terms related to the management agreement for Deepsea Yantai. The payment terms do not contain any significant financing components. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. Variable or conditional service fee arrangements, such as bonuses, are treated according to principles described above. The period for recognising revenue is generally equal to the contract period.

Revenue specification

USD million	2023	2022
Revenue from contracts with customers (IFRS 15)	448.7	393.7
Lease component in Own Fleet contracts	283.4	255.2
Other operating revenue	0.4	0.6
OPERATING REVENUE	**732.5**	**649.5**

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

USD million	2023	2022
Customer 1	441.9	375.6
Customer 2	127.2	129.2
Customer 3	85.0	-

Disaggregation of revenue by primary geographical markets

	Own Fleet		External Fleet		Corporate / Other		Consolidated	
USD million	2023	2022	2023	2022	2023	2022	2023	2022
Norway	572.9	567.3	65.5	74.9	3.3	4.3	641.7	646.4
Namibia	-	-	82.4	3.1	-	-	82.4	3.1
Canada	-	-	8.4	-		-	8.4	-
TOTAL OPERATING REVENUE	**572.9**	**567.3**	**156.3**	**78.0**	**3.3**	**4.3**	**732.5**	**649.5**

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	249	211	460
Between one and two years	390	231	621
Between two and three years	274	146	420
Between three and four years	98	59	156
Between four and five years	100	59	159
After five years	104	59	163
TOTAL	**1,215**	**765**	**1,980**

Note 7 Personnel Expenses

USD million	Note	2023	2022
Salaries and wages		188.3	152.9
Employer`s national insurance contributions		30.7	23.6
Pension expenses	19	15.3	13.2
Cost of share-based option plan	33	0.4	0.4
Other benefits		8.5	6.0
Hired personnel		19.1	10.4
TOTAL PERSONNEL EXPENSES		**262.4**	**206.5**

	2023	2022
No. of employees (annual average)	1,471	1,240

Note 8 Combined items, income statement

Other operating expenses

USD million	Note	2023	2022
Hired services		48.5	45.1
Hired equipment		27.7	27.9
Repair and maintenance, inspection, tools, fixtures and fittings		36.2	35.3
Insurance		3.4	3.6
Freight and transport		2.1	2.2
Premises facility expenses		1.4	1.7
Travel and course expenses		13.5	9.7
Other operating and administrative expenses		6.5	5.4
Capitalised contract cost	14	-	(0.7)
Amortised other operating contract cost	14	2.3	4.9
TOTAL OTHER OPERATING EXPENSES		**141.6**	**135.0**

Interest expenses

USD million	Note	2023	2022
Interest expenses borrowings		61.0	44.4
Amortised transaction costs borrowings	17	7.9	6.3
Interest expenses lease liabilities	18	4.2	4.2
Other interest expenses		2.1	0.6
TOTAL INTEREST EXPENSES		**75.2**	**55.4**

Other financial items

USD million	Note	2023	2022
Net currency gain / (loss)		(8.6)	(3.6)
Gain from settlement of interest rate swaps	23	-	13.7
Change in value of market-based derivatives *	23	(3.8)	(4.5)
Other financial expenses		(1.7)	(1.2)
TOTAL OTHER FINANCIAL ITEMS		**(14.1)**	**4.4**

** Change in value of market-based derivatives includes change in fair value of warrant liabilities.*

Note 9 Income Taxes

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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 Group is within the scope of the OECD Pillar Two model rules, however the effects of the global minimum tax ('GloBE) is not expected to come into effect with the current set-up for the 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

Odfjell Drilling is continuously evaluating its structure to ensure that it has the most suitable and efficient corporate organisation and set-up. Following the spinoff of Odfjell Technology in 2022, the rationale behind the previous set-up has lessened, and the reorganisation 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 corporate income tax for the Dubai branches in 2022 and 2023.

On 1 December 2023 the rig owning subsidiaries together with their immediate parent companies 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 7.7 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	(8.2)	(6.2)
Change in deferred tax	7.9	0.8
TOTAL INCOME TAX EXPENSE	**(0.3)**	**(5.4)**
Effective tax rate	0.1 %	5.5 %
Income tax expense in attributable to:		
Profit from continuing operations	(0.3)	(5.4)
Profit from discontinued operation	-	0.0

Tax reconciliation

USD million	2023	2022
Profit from continuing operations before income tax expense	222.4	88.3
Profit from discontinued operation before income tax expense	-	10.3
Total profit before income tax expense	**222.4**	**98.5**
Tax calculated at domestic tax rates applicable to profits in respective countries	(3.0)	0.5
Effect of tax relocation to Malta	7.7	-
Effect of adjustments recognised related to prior periods	(0.0)	(0.3)
Effect of net non-taxable income / (expenses)	(5.0)	(5.6)
INCOME TAX EXPENSE	**(0.3)**	**(5.4)**

** Domestic tax rates applicable to the Group varies between 0% and 25% for corporate income taxes (CIT).*

*** The majority of non-tax deductible expenses are related to limitations regarding tax-deductible interest expenses in the UK.*

Tax losses

The Group does not have any material tax losses for which no tax asset has been recognised.

Refer to Note 28 Contingencies for information regarding letter of indemnity and payment made in 2023 in relation to the Odfjell Offshore Ltd tax case.

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

USD million	2023	2022
Net deferred tax assets/(deferred tax liabilities) at 01.01	0.4	1.3
Income statement charge	7.9	0.8
Change in deferred tax on other comprehensive income	0.2	0.0
Disposal through distribution of operation to shareholders	-	(1.8)
Currency translation differences	(0.0)	0.1
NET DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES) AT 31.12	**8.5**	**0.4**

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	Net pension liabilities	Fixed assets	Lease liabilities	Total
Opening balance 01.01.2022	**-**	**0.2**	**1.3**	**0.4**	**9.8**	**11.7**
Income statement charge	-	-	(0.0)	(0.0)	6.0	6.0
Change in deferred tax on other comprehensive income	-	-	0.0	-	-	0.0
Disposal through distribution of operations to shareholders	-	(0.2)	(1.2)	(0.3)	(2.4)	(4.1)
Currency translation differences	-	-	(0.0)	(0.0)	(0.9)	(0.9)
CLOSING BALANCE 31.12.2022	**-**	**-**	**0.1**	**-**	**12.5**	**12.7**
Income statement charge	10.2	0.2	(0.1)	-	(1.4)	8.9
Change in deferred tax on other comprehensive income	-	0.1	0.1	-	-	0.2
Currency translation differences	-	0.0	(0.0)	-	(0.5)	(0.5)
CLOSING BALANCE 31.12.2023	**10.2**	**0.3**	**0.2**	**-**	**10.6**	**21.3**

Deferred tax liabilities - Specification and movements

USD thousands	Deferred capital gains	Fixed assets	Right-of-use Assets	Total
Opening balance 01.01.2022	**(1.2)**	**-**	**(9.2)**	**(10.4)**
Income statement charge	0.2	(0.1)	(5.3)	(5.1)
Disposal through distribution of operations to shareholders	0.0		2.3	2.3
Currency translation differences	0.1	-	0.9	1.0
CLOSING BALANCE 31.12.2022	**(0.8)**	**(0.1)**	**(11.4)**	**(12.3)**
Income statement charge	0.2	(2.3)	1.2	(1.0)
Currency translation differences	0.0	0.0	0.4	0.5
CLOSING BALANCE 31.12.2023	**(0.6)**	**(2.4)**	**(9.7)**	**(12.8)**

Net book value of deferred taxes

USD million	2023	2022
Deferred tax assets	21.3	12.7
Deferred tax liabilities offset in deferred tax assets	(12.8)	(12.3)
NET BOOK VALUE OF DEFERRED TAX ASSET AT 31.12.	**8.5**	**0.4**

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
Remeasurements of post employment benefit obligations	(0.5)	0.1	(0.4)	(0.1)	0.0	(0.0)
Cash flow hedges	(7.7)	0.1	(7.6)	-	-	-
OTHER COMPREHENSIVE INCOME	**(8.2)**	**0.2**	**(8.0)**	**(0.1)**	**0.0**	**(0.0)**
Deferred tax		0.2			0.0	

Note 10 Tangible fixed assets

Accounting policy

Property, plant and equipment comprise mainly of mobile offshore drilling units, well services equipment and machinery and equipment. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes purchase price, any directly attributable costs of bringing the asset to working condition and borrowing costs.

Depreciation is calculated on a straight-line basis over the useful life of the asset or component. The depreciable amount equals historical cost less residual value. Items of property, plant and equipment with components that have substantially different useful lives are treated separately for depreciation purposes. The total expenditure on the rigs is therefore allocated into groups of components that have different expected useful lifetimes.

Subsequent costs for day-to-day repairs and maintenance are expensed as incurred.

The cost of modernisation and rebuilding projects is included in the asset's carrying amount when it is probable that the Group will derive future financial benefits and the cost of the item can be measured reliably. The carrying amount of the replaced part is written off. Modernisation and rebuilding projects are depreciated over the remaining useful life of the related assets.

The useful lives of assets and the depreciation methods are reviewed periodically in order to ensure that the method and period of depreciation are consistent with the expected pattern of financial benefits from the asset.

Residual values for mobile offshore drilling units are determined based on the estimated second hand prices less cost of disposal for mobile drilling units after a 30 year useful lifetime. 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	Other fixed assets	Right-of-use assets	Total fixed assets
COST					
At 1 January 2023	2,979.1	185.2	2.2	93.9	3,260.3
Additions	26.9	51.8	0.6	19.7	98.9
Currency translation differences	0.0	-	(0.0)	(2.1)	(2.1)
COST AS AT 31 DECEMBER 2023	**3,006.0**	**237.0**	**2.7**	**111.5**	**3,357.2**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	(1,183.8)	(108.1)	(0.5)	(30.1)	(1,322.4)
Depreciation	(118.0)	(45.0)	(0.4)	(21.8)	(185.3)
Reversal of impairment	163.4	-	-	-	163.4
Currency translation differences	-	-	(0.0)	0.1	0.1
AS AT 31 DECEMBER 2023	**(1,138.4)**	**(153.1)**	**(0.9)**	**(51.8)**	**(1,344.2)**
NET BOOK VALUE AT 31 DECEMBER 2023	**1,867.6**	**83.9**	**1.8**	**59.7**	**2,013.0**
Useful lifetime	*5 - 30 years*	*5 years*	*3 - 5 years*	*2-12 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	*Straight line*	

For more information about Right-of-use assets, refer to Note 18 - Leases.

Grants received

The Group have received USD 12.7 million from the Norwegian NO_x fund in 2023 (USD 6.4 million in 2022). The grants are recognised as a deduction of additions presented in the table above.

Depreciation drilling units

Deepsea Atlantic is depreciated from 4 August 2009, Deepsea Stavanger is depreciated from 16 September 2010, Deepsea Aberdeen is depreciated from 21 April 2015, and Deepsea Nordkapp is depreciated from 10 May 2019.

Specification and movements 2022

USD million	Mobile drilling units	Periodic maintenance	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
COST						
At 1 January 2022	2,945.3	171.7	407.7	21.6	60.0	3,606.2
Additions	33.9	13.9	7.3	1.9	42.0	99.0
Additions due to previously eliminated inter-segment leases	-	-	-	-	16.6	16.6
Disposal	-	(0.4)	(2.5)	(0.2)	(1.3)	(4.3)
Disposal through distribution of operations to shareholders	-	-	(413.4)	(21.3)	(18.2)	(452.8)
Currency translation differences	-	-	0.9	0.1	(5.3)	(4.3)
COST AS AT 31 DECEMBER 2022	**2,979.1**	**185.2**	**-**	**2.2**	**93.9**	**3,260.3**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	(1,071.2)	(69.5)	(321.9)	(18.2)	(16.5)	(1,497.3)
Depreciation from continuing operations	(112.6)	(39.0)		(0.2)	(19.5)	(171.3)
Depreciation from discontinued operations	-	-	(2.0)	(0.1)	(0.2)	(2.3)
Adjustments due to previously eliminated inter-segment leases	-	-	-	-	(2.7)	(2.7)
Disposals	-	0.4	2.2	0.1	1.3	4.0
Disposal through distribution of operations to shareholders	-	-	322.6	18.1	6.2	346.8
Currency translation differences	-	-	(0.9)	(0.1)	1.4	0.4
AS AT 31 DECEMBER 2022	**(1,183.8)**	**(108.1)**	**-**	**(0.5)**	**(30.1)**	**(1,322.4)**
NET BOOK VALUE AT 31 DECEMBER 2022	**1,795.3**	**77.1**	**-**	**1.7**	**63.8**	**1,937.9**
Useful lifetime	*5 - 30 years*	*5 years*	*3 - 10 years*	*3 - 5 years*	*2-12 years*	
Depreciation schedule	*Straight line*	*Straight line*	*Straight line*	*Straight line*	*Straight line*	

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. Odfjell Drilling 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, Odfjell Drilling assessed the two impaired drilling rigs for impairment reversal.

Based on the estimated recoverable amount for the previously impaired rigs, the Group has recognised reversal of impairment of USD 71 million for Deepsea Atlantic and USD 92 million for Deepsea Stavanger 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	Deepsea Stavanger
Weighted Average Cost of Capital (WACC)	11.0%	11.0%
Pre-tax discount rate	12.1%	12.1%
Estimated firm contract days	984	2,101
Estimated average day rate for firm periods (USD thousand)	396	398
Future base case day rates (USD thousand)	450	450
Future base case OPEX day rates (USD thousand)	160	160
Financial utilisation in periods without firm contract	95%	95%

Sensitivity analysis - all amounts in USD million

Estimated impairment write-down if:		Deepsea Atlantic	Deepsea Stavanger
• WACC increased by	1,5 pp	-	-
• WACC increased by	3,0 pp	4	15
• Day rate level decreased by *	10%	-	-
• Day rate level decreased by *	20%	61	11
• Normalised opex level increased by	10%	-	-
• Normalised opex level increased by	20%	1	12
• Financial utilisation in normalised period decreased by	10 pp	-	-
• Financial utilisation in normalised period decreased by	20 pp	61	18

** 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

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

Note 11 Intangible assets

Specification and movements 2023

USD million	Goodwill	Software	Total intangible assets
COST			
At 1 January 2023	3.0	0.7	3.6
Currency translation differences	(0.1)	(0.0)	(0.1)
COST AS AT 31 DECEMBER 2023	**2.9**	**0.7**	**3.5**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2023	-	(0.3)	(0.3)
Amortisation		(0.3)	(0.3)
Currency translation differences	-	(0.0)	(0.0)
AS AT 31 DECEMBER 2023	**-**	**(0.5)**	**(0.5)**
NET BOOK VALUE AT 31 DECEMBER 2023	**2.9**	**0.1**	**3.0**
Useful lifetime		*3-7 years*	
Depreciation schedule		*Straight line*	

The intangible assets are not material for the Group, and no further information is therefore disclosed.

Note 12 Other assets

Other current assets

USD million	Note	31.12.2023	31.12.2022
Derivative financial instruments	23	1.6	2.4
Investment in 9.875% USD bond HMH Holding b.v.		1.6	-
Prepaid expenses		8.0	4.3
Assets from contract costs	14	1.4	3.7
Income tax receivables		0.6	0.1
VAT receivables		0.3	1.8
Other current receivables		3.0	0.9
TOTAL OTHER CURRENT ASSETS		**16.6**	**13.3**

Note 13 Financial assets and liabilities

Accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

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.

Debt instruments like the HMH Holding b.v. bond investment held to receive profit from sale in addition to interest are valued at fair value through profit and loss (FVPL).

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

The Group’s financial liabilities include trade and other payables, borrowings and derivative financial instruments.

The Group's financial liabilities at fair value through profit or loss include derivative financial instruments not designated as hedging instruments in hedge relationship as defined by IFRS 9.

The loans and borrowings category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Refer to further information in Note 17 - Interest-bearing borrowings.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

When the contractual cash flows of financial liabilities such as borrowings are renegotiated or otherwise modified and the renegotiation or modification does not quality for derecognition, the gross carrying amount is recalculated and a modification gain or loss is recognised in profit or loss. The gross carrying amount is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified liability and are amortised over the remaining term of the modified liability.

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.

Significant estimation uncertainty

The Group has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. Changes in parameters such as volatility of share price, risk-free interest rate etc. could have substantial impacts on the estimated warrant liability. See further information about the warrant liability and assumptions applied in Note 23 Market risk.

Financial instruments by category and level

The tables below analyse financial instruments carried at fair value, by valuation method, based on the lowest level input that is significant to the fair value measurement as a whole. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). For short term assets and liabilities at level 3, the value is approximately equal to the carrying amount. As the time horizon is due in short term, future cash flows are not discounted.

Valuation techniques used to derive Level 2 fair values

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

Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Group has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made as of 31 December 2022 related to the warrant agreements, nor to the modelling technique used to calculate fair value, other than an adjustment of the number of warrants and exercise price as explained in Note 23. Changes in book value relate to fair value changes.

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

USD million	Note	Level	31.12.2023	31.12.2022
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
• Foreign exchange forward contracts - Other current assets	23	2	-	2.4
Derivatives designated as hedging instruments				
• Interest rate swaps - Other non-current assets	23	2	-	7.5
• Foreign exchange forward contracts - Other current assets	23	2	1.6	-
Investment in bonds	12	2	1.6	-
OTHER FINANCIAL ASSETS				
Contract assets	14		8.4	8.6
Trade receivables	15		100.0	91.0
Other current receivables	12		3.0	0.9
Cash and cash equivalents	16		129.2	157.2
TOTAL ASSETS AS AT 31.12			**243.8**	**267.7**

USD million	Note	Level	31.12.2023	31.12.2022
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
Derivatives not designated as hedging instruments				
• Foreign exchange forward contracts - Other current liabilities	23	2	0.0	-
Derivatives designated as hedging instruments				
• Interest rate swaps - Other non-current liabilities	23	2	1.3	-
• Foreign exchange forward contracts - Other current liabilities			0.2	
Warrant liabilities - Other non-current liabilities	23	3	-	2.8
Warrant liabilities - Other current liabilities	23	3	4.2	
OTHER FINANCIAL LIABILITIES				
• Non-current interest-bearing borrowings	17		561.8	529.0
• Current interest-bearing borrowings	17		149.6	313.5
• Non-current lease liabilities	18		38.4	41.7
• Current lease liabilities	18		24.9	26.5
• Trade payables			48.9	35.8
• Other current liabilities	20		33.5	27.9
TOTAL LIABILITIES AS AT 31.12.			**862.9**	**977.2**

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

Note 14 Contract balances

Accounting policies - Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

For costs to fulfil contracts where the Group operates as a lessor, the Group has chosen to apply the guidance in IFRS 15 by analogy.

Accounting policies - Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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

Contract balances specification

USD million	31.12.2023	31.12.2022
Contract assets	8.4	8.6
Contract liabilities	(22.1)	(13.7)

The contract assets as at 31 December 2023 and 31 December 2022 are related to the management agreement with CIMC Raffles regarding management and operation of the Deepsea Yantai. Accrued revenue for the services provided during transit and first mobilisation is payable at the expiry or the termination of the management agreement, or will be offset in the purchase price of the rig, should Odfjell Drilling purchase the unit.

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	10.8	15.6
Performance obligations satisfied in the previous years	7.2	3.3

Assets from contract costs

USD million	Note	2023	2022
Asset recognised at 31 December from costs incurred to fulfil a contract	12	1.4	3.7
Amortisation recognised as cost of providing services during the period		2.3	4.9

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 is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

Note 15 Trade receivables

Accounting policy

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade receivables are financial assets and are recognised and measured according to accounting policies described in Note 13 - Financial assets and liabilities.

Trade receivables specification

USD million	Note	31.12.2023	31.12.2022
Trade receivables		79.1	47.4
Earned, not yet invoiced operating revenues		20.8	43.7
Loss allowance	24	-	-
TRADE RECEIVABLES - NET		**100.0**	**91.0**

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 24 - Credit risk.

Note 16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other current highly-liquid investments with original maturities of three months or less.

USD million	31.12.2023	31.12.2022
Cash in bank	56.8	46.2
Time deposits	54.0	89.4
Retention accounts *	8.4	13.2
Restricted bank deposits **	9.9	8.4
TOTAL CASH AND CASH EQUIVALENTS	**129.2**	**157.2**

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

** *The restricted bank deposits are mainly related to tax withholdings for employees.*

Note 17 Interest-bearing borrowings

Accounting policy

Borrowings are financial liabilities recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Fees related to revolving credit facilities are amortised on a straight-line basis over the period which the credit facility is available.

Also refer to accounting policies regarding Financial liabilities in Note 13 - Financial assets and liabilities.

Interest-bearing borrowings specification as at 31 December

	Non-current	Current	Total	Non-current	Current	Total
USD million	**31.12.2023**	**31.12.2023**	**31.12.2023**	**31.12.2022**	**31.12.2022**	**31.12.2022**
Borrowings	518.9	141.4	660.3	483.5	289.9	773.4
Transaction cost, unamortised	(9.3)	-	(9.3)	(3.3)	(1.8)	(5.1)
Seller's credit	52.2	-	52.2	48.8	20.0	68.8
Accrued interest expenses	-	8.1	8.1	-	5.4	5.4
CARRYING AMOUNTS INTEREST-BEARING BORROWINGS	**561.8**	**149.6**	**711.4**	**529.0**	**313.5**	**842.5**

Movements in interest-bearing borrowings

	Non-current	Current	Total	Non-current	Current	Total
USD million	**2023**	**2023**	**2023**	**2022**	**2022**	**2022**
CARRYING AMOUNT AS AT 1 JANUARY	**529.0**	**313.5**	**842.5**	**875.4**	**161.1**	**1,036.4**
CASH FLOWS:						
New borrowings	547.1	-	547.1	219.2	25.0	244.2
Paid transaction costs related to amendments and new borrowings	(12.2)	-	(12.2)	(2.2)	(0.6)	(2.7)
Repayment borrowings and seller's credit	(434.6)	(245.5)	(680.2)	(125.0)	(192.1)	(317.1)
NON-CASH FLOWS:						
Disposal through distribution of operations to shareholders	-	-	-	(125.3)	(25.6)	(150.9)
Seller's Credit	-	-	-	20.0	-	20.0
Reclassified	(75.4)	75.4	-	(342.6)	342.6	-
Change in transaction cost, unamortised	7.9	-	7.9	6.3	0.0	6.3
Change in accrued interest cost	-	6.2	6.2	-	3.0	3.0
Currency translation differences	-	-	-	3.2	(0.0)	3.2
CARRYING AMOUNT AS AT 31 DECEMBER	**561.8**	**149.6**	**711.4**	**529.0**	**313.5**	**842.5**

Repayment schedule for interest-bearing borrowings as at 31 December

	Non-current	Current	Total	Non-current	Current	Total
USD million	31.12.2023	31.12.2023	31.12.2023	31.12.2022	31.12.2022	31.12.2022
Within 3 months	-	64.5	64.5	-	19.6	19.6
Between 3 and 6 months	-	32.3	32.3	-	45.6	45.6
Between 6 and 9 months	-	12.3	12.3	-	19.6	19.6
Between 9 months and 1 year	-	32.3	32.3	-	225.2	225.2
Between 1 and 2 years	91.2	-	91.2	437.3	-	437.3
Between 2 and 3 years	93.3	-	93.3	95.0	-	95.0
Between 3 and 4 years	93.3	-	93.3	-	-	-
Between 4 and 5 years	284.8	-	284.8	-	-	-
Beyond 5 years	8.6	-	8.6	-	-	-
TOTAL CONTRACTUAL AMOUNTS	**571.1**	**141.4**	**712.6**	**532.3**	**309.9**	**842.2**

The table above analyses Odfjell Drilling's financial liabilities into relevant groupings based on the remaining instalments and payments due at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Refer to Note 22 and Note 23 for further information regarding liquidity risk and interest risk.

Refinancing

Odfjell Drilling has in the first half of 2023 completed its planned refinancing through the issuance of a secured bond and through amending, extending and securing bank facilities.

The new bank facilities carry a floating average interest rate of Secured Overnight Financing Rate (SOFR) + 324 basis points.

The Odfjell Rig III Ltd senior secured bond

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

Odfjell Drilling Ltd. currently holds USD 7 million of the bond. The bond liability in the consolidated balance sheet at 31 December 2023 is therefore USD 363 million.

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 Odfjell Invest Ltd. facilities

Remaining contractual amount for the old senior bank facility of USD 220 million and USD 100 million for the junior facility was repaid in June 2023.

A new USD 300 million bank facility on Deepsea Stavanger, maturing in February 2028, was secured in Q2 2023. The facility consisted of a USD 125 million term loan tranche and a USD 175 million reducing revolving credit facility ("RCF").

USD 43 million was drawn on the RCF in June 2023. In September 2023 USD 26 million was repaid, and in October 2023, the remaining USD 17 million was repaid.

The term loan, less scheduled instalment of USD 3.6 million, was made available 5 October 2023. At 31 December 2023, the remaining contractual amount of the term loan amounts to USD 118 million.

The Odfjell Rig V Ltd. facility

The facility with a remaining contractual amount of USD 197 million was amended and extended to January 2029.

Remaining contractual amount of USD 180 million as at 31 December 2023 for the bank facility.

Repayment of seller's credit

USD 20 million was repaid in June 2023.

Repayment of Direct loan

USD 95 million was repaid in October 2023.

The Odfjell Rig V Ltd. seller's credit

Seller's credit, including capitalised interest amount to USD 52 million as at 31 December 2023. The seller's credit was repaid as scheduled in January 2024.

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

The fair value of non-current borrowings equals their carrying amount, as the loans mostly have floating rates and credit margins have been stable from the loan raising.

Available drawing facilities

Odfjell Drilling has USD 165 million available on the RCF facility as per 31 December 2023.

Covenants

The main financial covenants are listed in the table below. The covenants are calculated based on Odfjell Drilling Ltd consolidated financial statements.

Financial covenants	The Odfjell Rig III Ltd senior secured bond	The Odfjell Invest Ltd. RCF and Term loan	The Odfjell Rig V Ltd. Facility
Equity	n/a	≥ USD 600m	≥ USD 600m
Equity ratio	≥ 30%	≥ 30%	≥ 30%
Total liquidity	n/a	≥ 7.5% of Interest-bearing debt	≥ 5% of Interest-bearing debt
Free liquidity	≥ USD 50m	≥ USD 50m	≥ USD 50m
Current ratio	≥ 1.0x	≥ 1.0x	≥ 1.0x
Leverage ratio	n/a	≤ 3.0x	≤ 5.0x

The Odfjell Drilling Group is compliant with all financial covenants as at 31 December 2023.

Distribution restrictions

The main distribution restrictions are listed in the table below.

Distribution restrictions	The Odfjell Rig III Ltd senior secured bond	The Odfjell Invest Ltd. RCF and Term loan	The Odfjell Rig V Ltd. Facility
Leverage ratio	≤ 3.00 (reducing to 2.00 from December 2025)	≤ 3.0x	≤ 3.0x
Total cash (including undrawn RCF)	≥ $150 million (reducing to $100 million after completion of the Company's final Special Periodic Survey in H1 2025)	n/a	n/a
Free cash	n/a	≥ $75 million	≥ $75 million

Note 18 Leases

The Group's leasing activities as a lessee and how these are accounted for

This note relates to the Group as a lessee only.

The Group leases various offices, workshops and warehouses in addition to some equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have extension or termination options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The lease payments are discounted using the lessee's 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. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and smaller items of office equipment.

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.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options have not been included in the lease liability, because the Group could replace the asset without significant cost of business disruption, or because the Group is not certain it would need the asset in the option period.

As at 31 December 2023, potential future cash outflows of USD 53 million (not discounted) have not been included in the lease liability because it is not reasonable certain that these leases will be extended (or not terminated).

The balance sheet shows the following amounts related to leases:

USD million	Properties 2023	Other fixed assets 2023	Total Right-of-use assets 2023	Properties 2022	Other fixed assets 2022	Total Right-of-use assets 2022
COST						
At 1 January	41.2	52.7	93.9	60.0	-	60.0
Additions	1.6	18.0	19.7	3.8	38.2	42.0
Additions due to previously eliminated inter-segment leases	-	-	-	-	16.6	16.6
Disposals	-	-	-	-	(1.3)	(1.3)
Disposal through distribution of operations to shareholders	-	-	-	(18.2)	-	(18.2)
Currency translation differences	(1.2)	(0.9)	(2.1)	(4.5)	(0.8)	(5.3)
COST AS AT 31 DECEMBER	**41.6**	**69.9**	**111.5**	**41.2**	**52.7**	**93.9**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January	(13.0)	(17.0)	(30.1)	(16.5)	-	(16.5)
Depreciation from continuing operations	(3.6)	(18.1)	(21.8)	(3.6)	(15.8)	(19.5)
Depreciation from discontinued operations	-	-	-	(0.2)	-	(0.2)
Adjustments due to previously eliminated inter-segment leases	-	-	-	-	(2.7)	(2.7)
Disposals	-	-	-	-	1.3	1.3
Disposal through distribution of operations to shareholders	-	-	-	6.2	-	6.2
Currency translation differences	0.3	(0.2)	0.1	1.2	0.2	1.4
AS AT 31 DECEMBER	**(16.4)**	**(35.3)**	**(51.8)**	**(13.0)**	**(17.0)**	**(30.1)**
NET BOOK VALUE AT 31 DECEMBER	**25.2**	**34.5**	**59.7**	**28.1**	**35.7**	**63.8**

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 10 - Tangible fixed assets.

Lease liabilities

USD million	31.12.2023	31.12.2022
Non-current	38.4	41.7
Current	24.9	26.5
TOTAL	**63.3**	**68.2**

Movements in lease liabilities are analysed as follows:

USD million	Non-current 2023	Current 2023	Total 2023	Non-current 2022	Current 2022	Total 2022
Carrying amount as at 1 January	41.7	26.5	68.2	38.3	7.8	46.1
CASH FLOWS:						
Payments for the principal portion of the lease liability	-	(22.7)	(22.7)	-	(18.6)	(18.6)
Payments for the interest portion of the lease liability	-	(4.6)	(4.6)	-	(4.3)	(4.3)
NON-CASH FLOWS:						
New lease liabilities recognised in the year	19.7	-	19.7	42.1	-	42.1
Additions due to previously eliminated inter-segment leases	-	-	-	13.9	-	13.9
Disposal through distribution of operations to shareholders	-	-	-	(9.4)	(2.6)	(12.0)
Interest expense on lease liabilities	4.2	-	4.2	4.3	-	4.3
Reclassified	(26.3)	26.3	-	(45.4)	45.4	-
Currency exchange differences	(0.9)	(0.6)	(1.5)	(2.1)	(1.1)	(3.2)
CARRYING AMOUNT AS AT 31 DECEMBER	**38.4**	**24.9**	**63.3**	**41.7**	**26.5**	**68.2**

Rental costs for exemptions

USD million	2023	2022
Expenses relating to short-term leases	15.3	20.4
Expenses relating to low value items	-	-

Note 19 Post-employment benefits

The Group has occupational pension plans for employees. The pension plans are measured and presented according to IAS 19.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension plans

The Group has funded defined benefit pension schemes in one Norwegian company covering a total of 8 active members and 19 pensioners as at 31 December 2023. The scheme entitles employees to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company.

In addition to the pension obligations that arises from the funded defined benefit plans, the Group's Norwegian companies have unfunded defined benefit obligations related to pensions and early retirement pensions. The early retirement pensions entitle staff to benefits (about USD 12,000 a year) from the company from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67, if they retire and meet requirement to receive CPA (see below).

The Group has contractual pension agreement (CPA) schemes in Norway established in multi-employer plans. These multi-employer plans are defined benefit plans, but the Group does not have access to the necessary information for the accounting years 2023 and 2022 required to account for these plans as defined benefit plans, and the plans are therefore accounted for as defined contribution plans.

The Norwegian subsidiaries in the Group with employees are required to have a civil service pension scheme according to the Norwegian Act relating to mandatory occupational pensions. These subsidiaries have pension schemes in accordance with the requirements in this Act.

Amounts recognised in Statement of Financial Position

USD million	31.12.2023	31.12.2022
Present value of funded obligations	7.6	7.4
Fair value of plan assets	(6.8)	(6.8)
DEFICIT OF FUNDED PLANS	**0.7**	**0.6**
Present value of unfunded obligations	-	-
TOTAL DEFICIT OF DEFINED BENEFIT PENSION PLANS	**0.7**	**0.6**

Total pension expenses included in personnel expenses are decomposed as per below:

USD million	2023	2022
Pension expenses from defined benefit scheme included in personnel expenses	0.2	0.5
Pension expenses from defined contribution schemes	7.9	6.4
Pension expenses from multi-employer plans accounted for as defined contribution schemes	7.3	6.3
TOTAL PENSION EXPENSES INCLUDED IN PERSONNEL EXPENSES	**15.3**	**13.2**

See Note 7 - Personnel expenses for further information regarding personnel expenses.

Note 20 Other liabilities

Other current liabilities specification

USD million	Note	31.12.2023	31.12.2022
Derivative financial instruments	23	4.4	-
Social security and other taxes		20.4	13.4
Accrued salaries, holiday pay and employee bonus		16.9	15.2
Other payables and financial liabilities		2.2	5.0
Other accrued expenses		14.4	7.7
TOTAL OTHER CURRENT LIABILITIES		**58.4**	**41.3**

Refer to Note 28 - Contingencies for further information about accounting policy for provisions and accruals, as well as significant judgement applied and estimation uncertainty.

Note 21 Financial risk management

Capital management and funding

The primary objective of the Group's capital management is to ensure that it maintains required capital ratios and liquidity available to support the business. Capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in financial markets. Capital management also comprises securing the Group to be in compliance with covenants on interest bearing debt. Reference is made to Note 17 - Interest-bearing borrowings which disclose information about covenants on long-term interest-bearing liabilities.

The Group will manage the capital structure and adjust it, to maintain an optimal structure adapted to current economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments, buy treasury shares, return capital to shareholders or issue new shares.

	31.12.2023	31.12.2022
Equity	1,394.0	1,208.5
Total assets	2,308.8	2,219.3
EQUITY RATIO	**60%**	**54%**
Cash and cash equivalents excl.restricted capital	119.3	148.8
Available drawing facilities	165.0	-
TOTAL AVAILABLE LIQUIDITY	**284.3**	**148.8**

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 on a Group level. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The board of Odfjell Drilling Ltd. has established written principles for risk management of foreign exchange risk, interest rate risk and use of derivative financial instruments.

Note 22 Liquidity risk

The Group's policy regarding the management of the cash positions 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 at any time to be able to finance its operations and investments in accordance with the Group's strategic plan.

With regular forecasts and liquidity analysis updates, the Group will ensure sufficient available liquidity to fulfil its duties at loan maturity, without unacceptable loss or risk of damaging the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through credit facilities and the ability to close out market positions.

The Group's cash flow forecasting is performed by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group Treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

Odfjell Drilling held cash and cash equivalents amounting to USD 129 million in addition to available drawing facilities of USD 165 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. See Note 17 - Interest-bearing borrowings for further information about maturity of contractual amounts.

Maturity of financial liabilities

The amounts disclosed in the table are the contractual non-discounted cash flows. The table include estimated interest payments for drawn facilities at the balance sheet date, based on the remaining period at the end of the reporting period to the contractual maturity date. The estimated interest payments include payments based on forward rates for the interest rate swaps.

Maturity of financial liabilities - 31.12.2023

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
Interest-bearing borrowings	127.1	72.0	140.0	557.9	8.7	905.8	711.4
Lease liabilities	12.2	12.9	16.4	21.2	10.5	73.1	63.3
Trade payables	48.9	-	-	-	-	48.9	48.9
Other current payables	33.5	-	-	-	-	33.5	33.5

Maturity of financial liabilities - 31.12.2022

USD million	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	94.8	271.0	471.3	101.3	-	938.4	842.5
Lease liabilities	13.3	13.2	22.2	16.0	12.0	76.8	68.2
Trade payables	35.8	-	-	-	-	35.8	35.8
Other current payables	21.4	6.5	-	-	-	27.9	27.9

Note 23 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.

During the year, the Deepsea Stavanger was working on various exploration projects for Equinor. The Deepsea Stavanger has firm contract commitments with Equinor until the end of 2024, whereafter it will move onto a new contract with Aker BP expected to take firm operations through 2029. The day rate consists of a USD element and a NOK element, where the NOK element is typically covering the NOK operating costs per day.

Deepsea Aberdeen 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.

The Deepsea Nordkapp was working with Aker BP throughout 2023 and will continue to work with Aker BP until at least 2027. 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 of climate risks and opportunities, both physical and transitional risks in the short, medium and long term, were prioritised. The most significant transition risks, 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
NON-CURRENT ASSETS		
Interest rate swaps - at fair value through profit or loss	-	-
Interest rate swaps - cash flow hedges under hedge accounting	-	7.5
TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS ASSET	**-**	**7.5**
CURRENT ASSETS		
Foreign exchange contracts - at fair value through profit or loss	-	2.4
Foreign exchange contracts - cash flow hedges under hedge accounting	1.6	-
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS ASSET	**1.6**	**2.4**
NON-CURRENT LIABILITIES		
Interest rate swaps - cash flow hedges under hedge accounting	(0.8)	-
Other Interest rate instruments - cash flow hedges under hedge accounting	(0.6)	
Warrant liability - at fair value through profit or loss	-	(2.8)
TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS LIABILITIES	**(1.3)**	**(2.8)**
CURRENT LIABILITIES		
Foreign exchange contracts - at fair value through profit or loss	(0.0)	-
Foreign exchange contracts - cash flow hedges under hedge accounting	(0.2)	-
Warrant liability - at fair value through profit or loss	(4.2)	-
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS LIABILITIES	**(4.4)**	**-**

The Group's hedging reserves disclosed in Note 26 - Other reserves related to the following instruments:

Cash flow hedging reserves

USD million	Currency forwards	Interest rate swaps	Total hedge reserves
OPENING BALANCE 1 JANUARY 2022	**0.6**	**(2.9)**	**(2.3)**
Change in fair value of hedging instruments recognised in OCI	(0.3)	12.8	12.4
Reclassified from OCI to profit or loss	(0.2)	(2.2)	(2.4)
CLOSING BALANCE 31 DECEMBER 2022	**-**	**7.7**	**7.7**
Change in fair value of hedging instruments recognised in OCI	1.5	(0.8)	0.6
Reclassified from OCI to profit or loss	-	(8.2)	(8.2)
CLOSING BALANCE 31 DECEMBER 2023	**1.5**	**(1.3)**	**0.1**

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	(2.4)	2.4
Warrant liability - at fair value through profit or loss		
Change in fair value	(1.4)	(1.9)

Foreign exchange risk

The consolidated material subsidiaries' reporting and functional currencies are USD and NOK.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and NOK. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to risks due to fluctuations in exchange rates, especially as charter contracts are mainly priced in USD while most of the operating expenses are in local currency.

The Group seeks to minimise these risks through currency hedging via financial instruments or by off-setting local currency elements in charter contracts.

Quoted mark-to-market values from financial institutions have been used to determine the fair value of the foreign exchange contracts at the end of the year. The foreign exchange contracts are only used for economic hedging purposes and not as speculative investments. However, these derivatives did not meet the hedge accounting criteria, and are accounted for at fair value through profit or loss.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was as follows:

Foreign exchange risk - Exposure - 31.12.2023

USD million	NOK	GBP	USD
Cash and cash equivalents	(4.8)	2.8	29.2
Trade receivables	7.5	0.1	36.3
Contract assets	-	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(19.3)	-	(17.0)
Trade payables	(5.4)	(0.5)	(3.7)
Other current payables	(0.2)	(2.3)	(3.2)
Foreign currency contracts			
Buy foreign currency (at fair value through profit or loss)	6.3	-	-
Sell foreign currency (at fair value through profit or loss)	-	6.4	-
Buy foreign currency (cash flow hedges under hedge accounting)	64.3	-	-
Sell foreign currency (cash flow hedges under hedge accounting)	41.0	25.4	-

Foreign exchange risk - Exposure - 31.12.2022

USD million	NOK	GBP	USD
Cash and cash equivalents	71.2	0.9	12.6
Trade receivables	2.5	0.1	20.8
Contract assets	-	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(11.2)	-	(26.3)
Trade payables	(1.1)	(0.2)	(6.6)
Other current payables	(0.2)	(0.0)	(0.6)
Foreign currency contracts			
Buy foreign currency (at fair value through profit or loss)	103.5	-	-
Sell foreign currency (at fair value through profit or loss)	116.3	-	-

Foreign currency contracts

Foreign currency contracts	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2023						
Buy foreign currency (at fair value through profit or loss)	NOK	64.1	15.04.2024	n/a	0.09831	(0.0)
Sell foreign currency (at fair value through profit or loss)	GBP	5.0	15.04.2024	n/a	1.26027	*
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)
Buy foreign currency (cash flow hedges under hedge accounting)	NOK	267.8	24.06.2024-26.08.2025	1:1	0.09524	1.9
Sell foreign currency (cash flow hedges under hedge accounting)	NOK	280.6	24.06.2024-26.08.2025	1:1	0.09087	(0.6)
31.12.2022						
Buy foreign currency (at fair value through profit or loss)	NOK	290.0	30.05.2023	n/a	0.10345	0.8
Sell foreign currency (at fair value through profit or loss)	NOK	321.3	30.05.2023	n/a	0.09337	(0.3)
Buy foreign currency (at fair value through profit or loss)	NOK	729.8	01.06.2023	n/a	0.10276	2.3
Sell foreign currency (at fair value through profit or loss)	NOK	825.0	01.06.2023	n/a	0.09091	(0.5)

** Carrying amount included in the line above*

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	(8.6)	(3.6)

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	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	5.7	(9.8)	3.1	(5.3)	(3.8)	6.5
Current receivables	6.0	3.0	2.9	1.7	(2.8)	(2.0)
Current liabilities	0.2	(3.5)	0.1	(1.9)	(0.1)	2.3
NET EFFECT ON PROFIT BEFORE TAX	**11.8**	**(10.2)**	**6.1**	**(5.6)**	**(6.7)**	**6.8**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. The Group evaluates the share of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors is on regular basis considering the interest payment hedging of the external financing and mandate administration to execute necessary changes.

The Group had interest rate swap agreements as well as interest Floor and Caps instruments at 31 December 2023. Quoted mark-to-market values from financial institutions have been used to determine the fair value of the swap agreements at the end of the year. Some of the instruments used during 2023 were documented as cash flow hedges and other as financial investments, and changes in fair value were recognised in other comprehensive income (cash flow hedging) and others recognised through profit and loss statement (financial investments not defined as cash flow hedges).

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Including interest rate swaps entered into, the fixed-rate portion of the Group's interest bearing debt per 31 December 2023 is approximately 60%.

The swap contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Average interest rate as of 31.12.2023 was 8.7%, including the effect of interest rate hedging.

Estimated fair value calculations from external financial institutions have been used to determine the fair value of the swap agreement at the end of the year.

The Group monitors its interest rate exposure on a dynamic basis. The Group calculates the impact on profit and loss of a defined interest rate shift.

As of 31.12.2023 the Group held the following USD interest rate instruments:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
Interest rate swaps - Cash flow hedges under hedge accounting	58.9	2028	1:1	4.1620%	(0.8)
Synthetic instruments - Cash flow hedges under hedge accounting	58.9	2028	1:1	*	(0.6)

** Floor and Caps instruments, see further description below*

Caps and Floors are financial instruments used to manage interest rate risk. A cap is a type of interest rate derivative that sets a maximum limit, or cap, on the interest rate that can be paid. The Group have entered into two cap contracts to protect to the Group against interest rate increases beyond 5.5%. A floor is the opposite of a cap. It sets a minimum limit, or floor, on the interest rate that can be received. The Group has entered into two floors instruments with an interest rate of 2.88% and 3.0125% respectively.

As of 31.12.2022 the Group held the following LIBOR based interest rate swaps:

	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
Cash flow hedges under hedge accounting	213.8	2023	1:1	1.4392%	6.6
Cash flow hedges under hedge accounting	21.6	2024	1:1	1.4415%	1.0

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	283.7	40%	471.8	56%
Fixed rate borrowings - repricing or maturity dates:				
Less than 1 year	-	0%	213.8	25%
1-5 years	428.9	60%	156.6	19%
Later than 5 years	-	0%	-	0%
TOTAL CONTRACTUAL AMOUNTS*	**712.6**	**100%**	**842.2**	**100%**

** Including Seller's credit*

Interest rate sensitivity

The result of the calculation on sensitivities returns the following expected values (incl. interest rate swaps entered into as at 31 December):

- If interest rate is increased by 1.0 %, the effect would be an increase in financing costs of approximately USD 3 million for the next 12 months as at 31 December 2023, compared to USD 5 million at 31 December 2022.

Warrant liabilities

On 30 May 2018 the company issued warrants for 5,925,000 common shares to an affiliate of Akastor ASA for a total consideration of USD 1.00. Following the spin-off of Odfjell Technology, the hurdle rate and number of warrants has been adjusted to maintain the same value of the warrants, increasing the number of issued warrants to 6,837,492, and decreasing the exercise prices from the range of NOK 36 - NOK 107.50 to the range of NOK 31.20 - NOK 93.15.

The warrants will be exercisable in six equal tranches from 2019 to 2024. A tranche which has become exercisable may also be exercised on the exercise dates for the subsequent tranches if the conditions for such subsequent exercise(s) are satisfied. Each tranche may be exercised if the price of the Shares has increased by a defined percentage over NOK 31.20 on the relevant exercise date (i.e. 31 May in 2019, 2020, 2021, 2022, 2023 and 2024 respectively), being NOK 37.43 for tranche 1, NOK 44.92 for tranche 2, NOK 53.91 for tranche 3, NOK 64.69 for tranche 4, NOK 77.62 for tranche 5 and NOK 93.15 for tranche 6. On 30 May 2024, any non-exercised warrants will, to the extent the thresholds have not been met, be exercisable on a linear prorate basis, subject to the company's share price being within the range of NOK 31.20 and NOK 93.15.

No warrants have been exercised in 2022 or 2023.

In accordance with Accounting Standards, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognised in the consolidated statements of operations and comprehensive loss at each period-end. The derivative liabilities will ultimately be converted into the Company's equity (common shares) if and when the warrants are exercised, or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value.

Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the warrant is exercised less the exercise price of the warrant). Any remaining fair value is recorded through the statement of operations and comprehensive loss as part of the change in estimated fair value of derivative warrant liabilities.

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. The path-dependent nature of the instrument is modelled using a Monte Carlo simulation approach which uses computer generated random numbers to simulate share price paths. The price paths are generated using a process known as Geometric Brownian Motion (GBM). The price distributions generated by GBM are consistent with the assumptions underlying the widely used Black-Scholes model to price equity options.

The calculations are based on the following assumptions:

- Valuation date : 31 December 2023
- Share price: NOK 39.40
- Volatility of share price: 33.30%
- Risk-free interest rate: 4.35%
- USD/NOK exchange rate: 10.1724
- Dividend yield: 6.2%
- No tranches have been exercised

Based on the valuation, fair value of the warrant liability is estimated to be NOK 43 million / USD 4.2 million as at 31 December 2023 (NOK 28 million / USD 2.8 million as at 31 December 2022).

The negative change in fair value in 2023 of USD 1.4 million (negative change of USD 1.9 million in 2022) was recognised as part of Other financial items.

Note 24 Credit risk

Accounting policy

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further description

The Group operates in two segments: Own Fleet and External Fleet. The market for the Group's services is the offshore oil and gas industry, and the customers consist primarily of major integrated oil companies, independent oil and gas producers and government owned oil companies. The Group performs ongoing credit evaluations of the customers and generally does not request material collateral.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, marketable securities, other receivables and certain derivatives instruments receivable amount, the Group's exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. However, the Group believes this risk is limited as the counter-parties mainly have a high credit quality.

The maximum exposure regarding trade receivables is the carrying amount of USD 100 million.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to non-billed work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables

The 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%	92.6	-	92.6
0 to 3 months	0.0%	7.4	-	7.4
3 to 6 months	0.0%	-	-	-
Over 6 months	0.0%	-	-	-
TOTAL		**100.0**	**-**	**100.0**

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%	87.4	-	87.4
0 to 3 months	0.0%	2.6	-	2.6
3 to 6 months	0.0%	1.1	-	1.1
Over 6 months	0.0%	-	-	-
TOTAL		**91.0**	**-**	**91.0**

Contract assets - 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%	8.4	-	8.4

Contract assets 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%	8.6	-	8.6

Note 25 Share capital and shareholder information

	No.of shares	Nominal value	Share capital - USD thousands
Listed shares / Common shares issued as at 1 January 2023	236,783,202	USD 0.01	2,368
LISTED SHARES / COMMON SHARES ISSUED AS AT 31 DECEMBER 2023	**236,783,202**	**USD 0.01**	**2,368**
Preference shares issued as at 1 January 2023	16,123,125	USD 0.01	161
Cancellation of preference shares	(16,123,125)	USD 0.01	(161)
TOTAL ISSUED PREFERENCE SHARES AS AT 31 DECEMBER 2023	**-**		**-**
TOTAL SHARE CAPITAL			**2,368**

Common shares

Authorised, not issued shares was 63,216,798 as at 31 December 2023. There are no changes in issued common shares in 2023. All issued shares are fully paid.

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

The Company has only one class of ordinary shares. Each common share in the Company carries one vote, and all common shares carry equal rights, including the right to participate in General Meetings. All shareholders are treated on an equal basis.

The Company's common shares are freely transferable in Norway, provided however, that the Bye-laws include a right for the Board to decline to register a transfer of any share in the register of members, (or if required, refuse to direct any registrar appointed by the Company to transfer any interest in a share) where such transfer would result in 50% or more of the Company's shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway (or, alternatively, such shares or votes being effectively connected to a Norwegian business activity).

Preference shares

29 November 2022, the Group repurchased the issued preference shares. In Q4 2023, the Odfjell Drilling Ltd cancelled the 16,123,125 treasury preference shares.

As per 31 December 2023 the Group does not hold any treasury shares.

Treasury shares - accounting policy

Shares that are bought back are recorded in a separate treasury stock account with the share capital amount. Premium to par value is shown as an adjustment to share premium. Discount to par value is shown as an adjustment to retained earnings. The repurchase of shares is viewed as a temporary reduction in shareholders' equity. The treasury stock account is kept active until the share are resold or cancelled.

Cash dividend paid in 2023

22 August 2023, the Board of Directors approved a dividend distribution of 0.06 USD per share, equal to approximately USD 14.2 million, which was paid in September 2023. 1 November 2023, the Board of Directors approved a dividend distribution of 0.06 USD per share, equal to approximately USD 14.2 million, which was paid in November 2023.

Total dividend payments in 2023 was 0.12 USD per share equal to approximately USD 28.4 million.

Largest common shareholders at 31 December 2023	Account type	Holding	% of shares
Odfjell Partners Holding Ltd.	Ordinary	142,952,381	60.37%
Merrill Lynch Prof. Clearing Corp.	Nominee	7,371,649	3.11%
State Street Bank and Trust Comp	Nominee	4,120,330	1.74%
The Bank of New York Mellon SA/NV	Nominee	3,677,753	1.55%
Verdipapirfondet Storebrand Norge	Ordinary	3,398,356	1.44%
Goldman Sachs International	Nominee	3,118,587	1.32%
Citibank	Nominee	1,919,859	0.81%
State Street Bank and Trust Comp	Nominee	1,868,620	0.79%
J.P. Morgan SE	Nominee	1,773,571	0.75%
The Bank of New York Mellon SA/NV	Nominee	1,700,648	0.72%
The Northern Trust Comp	Nominee	1,599,543	0.68%
The Bank of New York Mellon SA/NV	Nominee	1,587,480	0.67%
The Bank of New York Mellon SA/NV	Nominee	1,542,382	0.65%
Brown Brothers Harriman & Co.	Nominee	1,535,318	0.65%
Verdipapirfondet DNB SMB	Ordinary	1,136,902	0.48%
The Northern Trust Comp	Nominee	1,131,810	0.48%
BNP Paribas	Nominee	1,119,571	0.47%
J.P. Morgan Securities PLC	Ordinary	1,119,289	0.47%
Nordnet Livsforsikring AS	Ordinary	1,116,714	0.47%
CACEIS Bank	Nominee	1,026,002	0.43%
TOTAL 20 LARGEST COMMON SHAREHOLDERS		**184,816,765**	**78.05%**
Other common shareholders		51,966,437	21.95%
TOTAL COMMON SHAREHOLDERS		**236,783,202**	**100.00%**

Note 26 Other reserves

USD million	Note	Cash flow hedges	Translation differences	Share-Option plan	Acquisition non-controlling interests	Total
At 1 January 2022		**(2.3)**	**(74.5)**	**1.9**	**(34.5)**	**(109.5)**
Change in fair value of hedging instruments recognised in OCI	23	12.4	-	-	-	12.4
Reclassified from OCI to profit or loss	23	(2.4)	-	-	-	(2.4)
Currency translation difference		-	(8.9)	-	-	(8.9)
Reclassification of foreign currency translation reserve	4		27.0	-	-	27.0
Cost of share-based option plan	33	-	-	0.4	-	0.4
Settlement of share-based option plan	33	-	-	(0.5)		(0.5)
AT 31 DECEMBER 2022		**7.7**	**(56.5)**	**1.8**	**(34.5)**	**(81.4)**
Change in fair value of hedging instruments recognised in OCI	23	0.6	-	-	-	0.6
Reclassified from OCI to profit or loss	23	(8.2)	-	-	-	(8.2)
Deferred taxes cashflow hedges		(0.0)				(0.0)
Currency translation difference		-	(0.5)	-	-	(0.5)
Cost of share-based option plan	33	-	-	0.4	-	0.4
AT 31 DECEMBER 2023		**0.1**	**(57.0)**	**2.2**	**(34.5)**	**(89.2)**

Note 27 Securities and mortgages

Liabilities secured by mortgage

USD million	31.12.2023	31.12.2022
Non current liabilities - contractual amounts	571.1	532.3
Current liabilities	149.6	315.3
TOTAL	**720.7**	**847.6**

Carrying amount of mortgaged assets:

USD million	31.12.2023	31.12.2022
Property, plant and equipment	2,013.0	1,937.9
Receivables and contract assets	125.0	112.9
Bank deposits	129.2	157.2
TOTAL	**2,267.1**	**2,208.0**

	The Odfjell Rig III Ltd senior secured bond	The Odfjell Invest Ltd. RCF and Term loan	The Odfjell Rig V Ltd. Facility
Guarantors	Odfjell Drilling Ltd and various subsidiaries	Odfjell Drilling Ltd and various subsidiaries	Odfjell Drilling Ltd and various subsidiaries
Collateral Rigs	Deepsea Aberdeen and Deepsea Atlantic	Deepsea Stavanger	Deepsea Nordkapp

Note 28 Contingencies

Accounting policy - Provisions, contingent liabilities and contingent assets

A provision is recognised when an obligation exists (legal or constructive) as a result of a past event, it is probable that an economic settlement will be required as a consequence of the obligation, and a reliable estimate can be made of the amount of the obligation.

The best estimate of the expenditure required to settle the obligation is recognised as a provision. When the effect is material, the provision is discounted using a market based pre-tax discount rate.

Contingent liabilities and contingent assets are not recognised. Contingent liabilities are disclosed unless the possibility of an economic settlement as a consequence of the obligation is remote. Contingent assets are disclosed where an economic settlement as a consequence of the asset is probable.

Significant judgement executed

The Group may from time to time be subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, investments etc., of which the outcomes are subject to significant uncertainty. Management applies significant judgement when evaluating the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to accrue for a matter that has not been previously accrued for because it was not considered probable, or a reasonable estimate could not be made, or increase or decrease an amount accrued for a matter in previous reporting periods.

Letter of indemnity and related receivable

Odfjell Offshore Ltd, a previous subsidiary of Odfjell Drilling Ltd., now a subsidiary of Odfjell Technology Ltd, was registered as a Norwegian Registered Foreign Company (NUF) on 08.03.2016 after migration of the company in January 2016, and is taxable for income to Norway. In 2017, the company filed for a tax deduction, of approximately NOK 2.3 billion, on redemption of shares in Deep Sea Metro Ltd. A total of NOK 1.3 billion of this loss has been utilised through Group contributions received from other Norwegian entities within the Odfjell Drilling Ltd Group in the period 2017 to 2021.

Odfjell Drilling Ltd has on 1 March 2022 issued a letter of indemnity to Odfjell Technology Ltd (OTL) to hold OTL indemnified in respect of any liability that may occur in relation to the Odfjell Offshore Ltd tax case. This includes financing of any (pre-) payments to the Norwegian Tax Authorities, and funds for any legal proceedings.

21 December 2022 Odfjell Offshore Ltd received a tax ruling from the Norwegian Tax Authorities where the tax loss on the realisation of shares in 2017 was denied on the basis of the anti-avoidance rule developed as tax case law. Odfjell Offshore Ltd has appealed the ruling, and the Group is still of the opinion that the most likely outcome of a court case is that the anti-avoidance rule should not be applicable and the denial of the tax loss should be revoked.

Odfjell Offshore Ltd have made an upfront payment 1 February 2023 of NOK 307 million (USD 31 million) in taxes and interest for the financial years 2017 through to 2021, which the Odfjell Drilling Group have had to fund in accordance with the indemnity letter.

As stated above the Group's best judgement is that the tax case will be won by Odfjell Offshore Ltd. The Group has therefore not recognised a provision for the contingent indemnification liability. Consequently, the Group has recognised the upfront payment made as a non-current receivable that will be repaid if the legal appeal prevails.

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

Note 29 Commitments

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

USD million	**31.12.2023**	**31.12.2022**
Rig investments	51.5	46.7
TOTAL	**51.5**	**46.7**

The major part of committed capital expenditure as at 31 December 2023 is related to the new BOP for the rig Deepsea Atlantic, as well as the upcoming periodic maintenance for Deepsea Atlantic and Deepsea Nordkapp.

Note 30 Subsidiaries

Material subsidiaries

Name of entity	Country of incorporation	Principal place of business	Functional currency	Owner-ship 2023	Owner-ship 2022	Principal activities
Odfjell Rig Owning Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Invest Ltd. *	Bermuda	Malta	USD	100	100	Holding company
Odfjell Rig III Ltd. *	Bermuda	Malta	USD	100	100	Holding company
Odfjell Drilling Malta Ltd.	Malta	Malta	USD	100	-	Holding company
Odfjell Rig V Ltd. **	England	Malta	USD	100	100	Rig owning
Odfjell Drilling Shetland Ltd. **	Scotland	Malta	USD	100	100	Rig owning
Deep Sea Atlantic (UK) Ltd. **	England	Malta	USD	100	100	Rig owning
Deep Sea Stavanger (UK) Ltd. **	England	Malta	USD	100	100	Rig owning
Odfjell Drilling South Africa Ltd.	Scotland	South Africa / Namibia	USD	100	100	Drilling operations
Odfjell Invest AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Invest II AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Drilling Company AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Drilling Company I AS	Norway	Norway / Canada	NOK	100	100	Drilling operations
Deep Sea Rig AS	Norway	Norway	NOK	100	-	Drilling operations
Odfjell Drilling AS	Norway	Norway	NOK	100	100	Management
Deep Sea Management AS	Norway	Norway	NOK	100	100	Crewing
Deep Sea Management International AS	Norway	Norway	USD	100	100	Crewing
Odfjell Drilling Services Ltd.	Bermuda	UK	USD	100	100	Holding company

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

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

The company's principal subsidiaries are set out in table above. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the company, and the proportion of ownership interests held equals the voting rights held by the company.

Other subsidiaries included in the consolidated group financial statements:

Name of entity	Country of incorporation	Principal place of business	Functional currency	Owner-ship 2023	Owner-ship 2022	Principal activities
Deep Sea Drilling Company II KS	Norway	Norway	NOK	100	100	No activity
Odfjell Drilling Cooperatief UA	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Invest Holland BV	Netherlands	Netherlands	EUR	100	100	No activity
Odfjell Perfuracoes e Servicos Ltda	Brazil	Brazil	BRL	100	100	No activity
Odfjell Drilling Netherlands BV	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Drilling Brasil BV	Netherlands	Netherlands	EUR	100	100	Holding - no activity
Odfjell Drilling Brasil Ltda.	Brazil	Brazil	BRL	100	100	No activity
Odfjell Gestao de Perfurancoes do Brasil Ltda.	Brazil	Brazil	BRL	100	100	No activity

Note 31 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 Technology Ltd. Group	Related to main shareholder	2.9	1.2
Odfjell Oceanwind AS	Related to main shareholder	0.5	0.5
Odfjell Land As	Related to main shareholder	0.4	0.6
TOTAL SALES OF SERVICES TO RELATED PARTIES		**3.7**	**2.3**

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

USD million	Relation	2023	2022
Companies within the Odfjell Technology Ltd. Group	Related to main shareholder	51.5	44.9
Odfjell Oceanwind AS	Related to main shareholder	0.1	-
TOTAL PURCHASES FROM RELATED PARTIES		**51.6**	**44.9**

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

Current receivables and liabilities

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

USD million	Related party	Relation	31.12.2023	31.12.2022
Trade receivables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	0.3	0.5
Other current receivables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	0.4	0.0
Trade payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(4.7)	(10.1)
Other current payables	Companies in Odfjell Technology Ltd Group	Related to main shareholder	(6.4)	(1.5)
NET CURRENT PAYABLES RELATED PARTIES			**(10.4)**	**(11.0)**

Lease agreements

USD million			Lease liability	Lease liability	Payments	Payments
Related party	Relation	Type of asset	31.12.2023	31.12.2022	2023	2022
Odfjell Land AS	Related to main shareholder	Properties	25.2	28.5	5.4	4.5
Companies in Odfjell Technology Ltd Group	Related to main shareholder	Mooring and drilling equipment	36.3	37.5	21.4	17.3
TOTAL			**61.5**	**66.0**	**26.8**	**21.8**

Shareholdings by related parties

Helene Odfjell (Director), controls Odfjell Partners Holding Ltd, which owns 60.37% of the common shares in the Company as per 31 December 2023.

Simen Lieungh (Director) owns 20.000 shares (0.01%), Kjetil Gjersdal (CEO of Odfjell Drilling AS) and his close associate owns 42.450 shares (0.02%), while Frode Syslak (CFO of Odfjell Drilling AS) owns 25.000 shares (0.01%) in the Company as per 31 December 2023.

Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown in Note 32 - Remuneration to the Board of Directors, key executive management and Group auditor.

Note 32 Remuneration to the Board of Directors, key executive management and auditor

Details of salary, variable pay and other benefits provided to Group management in 2023:

USD thousands		Salary	Bonus	Other remuneration	Pension premium	Expense share-based payments	Total
Kjetil Gjersdal	CEO - Odfjell Drilling AS	443	338	25	17	161	985
Frode Syslak	CFO - Odfjell Drilling AS	209	151	13	12	86	471
Diane Stephen	General Manager - Odfjell Drilling Ltd.	103	25	6	5	-	139
TOTAL		**755**	**515**	**44**	**34**	**247**	**1,595**

Details of salary, variable pay and other benefits provided to Group management in 2022:

USD thousands		Salary	Bonus	Other remuneration	Pension premium	Expense share-based payments	Total
Kjetil Gjersdal	CEO from April 2022 - Odfjell Drilling AS	344	182	19	13	91	649
Frode Syslak	CFO from April 2022 - Odfjell Drilling AS	155	44	10	12	48	269
Simen Lieungh	CEO to March 2022 - Odfjell Drilling AS	189	1,507	7	5	192	1,901
Jone Torstensen	CFO to March2022 - Odfjell Drilling AS	84	156	7	5	-	253
Diane Stephen	General Manager - Odfjell Drilling Ltd.	116	21	7	6	-	150
TOTAL		**889**	**1,910**	**50**	**42**	**332**	**3,222**

The amounts listed as Salary, Bonus, and Other remuneration in the table above represent cash payments in 2023 and 2022. Refer to the Executive Remuneration Report for bonuses earned in 2023 and 2022.

Amounts listed as Pension premium and Expense share-based payments relates to the expense accounted for as personnel expenses in 2023 and 2022.

For details regarding the current incentive share option programme, refer to Note 33 - Share-based payments.

Fees paid to Board of non-executive directors:

USD thousands	2023	2022
Simen Lieungh	71	20
Helene Odfjell	40	69
Harald Thorstein	45	19
Knut J. Hatleskog	9	-
Susanne Munch Thore	-	36
Alasdair Shiach	-	33
Thomas Marsoner	-	53
TOTAL REMUNERATION PAID TO BOARD OF NON-EXECUTIVE DIRECTORS	**165**	**231**

Fees to the Group's auditor

USD thousands	2023	2022
Audit	308	369
Other assurance services	2	-
Tax advisory fee		
Fees for other services	66	13
TOTAL REMUNERATION TO THE GROUP'S AUDITOR	**376**	**383**

All listed fees are net of VAT

Note 33 Share-based payments

Accounting policy

The company long term equity settled incentive share option programme in which the employee receives remuneration in the form of share-based payment for services rendered.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details below.

That cost is recognised in personnel expenses together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Details regarding share option programme:

The company entered at 16 May 2018 into a long term incentive share option programme with Simen Lieungh (CEO at the time), granting him options to purchase 960,000 common shares. On 31 May 2022 this share option programme was settled. As a result of the spin off and a change in CEO, the programme was settled in cash for a total of NOK 4.5 million.

On 27 June 2022 the Company implemented a new share option plan and allocated options for a total of 1,450,000 common shares, at a strike price of NOK 23.37 per share to certain of its employees. In 2023 a further 400,000 options were allocated at a strike price of NOK 26.61 per share.

The options can only be exercised in five equal tranches, with vesting periods of one to five years. The options may be exercised in the exercise period starting at vesting date and ending five working days after. Any options not exercised in the first tranches can be rolled forward to the next tranches. Any options not exercised by 2 July 2027 / 5 February 2028 will be terminated.

Overview of outstanding options:

Overview of outstanding options:	**2023**	**2022**
Outstanding options 1.1	1,450,000	960,000
Options granted	400,000	1,450,000
Options forfeited	-	-
Options exercised		(960,000)
Options expired	-	-
OUTSTANDING OPTIONS 31.12	**1,850,000**	**1,450,000**
Of which exercisable	290,000	-

The fair value of the options has been calculated using Black & Scholes option-pricing model. The average fair value of the options granted in 2022 is NOK 11.36, while the fair value of options granted in 2023 is NOK 10.32 The total cost of the share option plan is calculated based on the fair value x options granted. The total cost equals NOK 20.6 million (approximately USD 2 million) and is recognised over the period until January 2028.

The calculations are based on the following assumptions:

- The share price on the grant date were set to the stock exchange price NOK 23.675 / NOK 26.375 on the grant date.
- The strike price per option was NOK 23.37 / NOK 26.61.
- The expected price volatility of the company's shares was set to 50% / 40% based on historical volatility adjusted for expected changes.
- The expiry date was set to 28 June 2027 / 1 February 2028.
- The expected dividend yield was set to 0%.
- The risk-free interest rate was set to 3.67% / 2.938%

Note 34 Earnings per share

Accounting policy

The basic earnings per share are calculated as the ratio of the profit for the year that is due to the shareholders of the parent divided by the weighted average number of common shares outstanding.

When calculating the diluted earnings per share, the profit that is attributable to the common shareholders of the parent and the weighted average number of common shares outstanding are adjusted for all the dilution effects relating to warrants and share options.

The calculation takes account of all the warrants and share options that are "in-the-money" and can be exercised. In the calculations, warrants and share options are assumed to have been converted/ exercised on the first date in the fiscal year. Warrants and share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date. The dilution effect on warrants and share options is calculated as the difference between average fair value in an active market and exercise price or the sum of the not recognised cost portion of the options.

Further description

The Company has issued warrants for 6,837,492 common shares, see further description in Note 23 - Market risk, and has in addition a share option plan for 1,850,000 common shares, see further description in Note 33 - Share-based payments.

The warrants represent contingently issuable shares.

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

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

USD million	2023	2022
Profit/(loss) due to owners of the parent	222.1	129.6
Adjustment for dividends on preference shares	-	(8.3)
Profit/(loss) for the period due to holders of common shares	**222.1**	**121.3**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**222.1**	**121.3**

	2023	2022
Weighted average number of common shares in issue	236,783,202	236,783,202
Effects of dilutive potential common shares:		
Warrants	-	-
Share option plan	-	-
Diluted average number of shares outstanding	**236,783,202**	**236,783,202**

	2023	2022
Basic earnings per share (USD)	**0.938**	**0.512**
Diluted earnings per share (USD)	**0.938**	**0.512**
EARNINGS PER SHARE - CONTINUING OPERATIONS		
Profit/(loss) for the period due to holders of common shares	222.1	74.6
Diluted profit/(loss) for the period due to the holders of common shares	222.1	74.6
Basic earnings per share - continuing operations (USD)	**0.938**	**0.315**
Diluted earnings per share - continuing operations (USD)	**0.938**	**0.315**

Note 35 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
OPERATING REVENUES	**4**	**137**	**180**
Other gains and losses	3	-	(3,438)
Personnel expenses	5	(429)	(834)
Other operating expenses	4,6	(3,898)	(2,571)
Total operating expenses		**(4,327)**	**(3,405)**
OPERATING PROFIT / (LOSS) - EBIT		**(4,189)**	**(6,663)**
Interest income	4,7	24,252	12,721
Dividends from subsidiaries	4,8	-	296,257
Interest expenses	4,7	(10,446)	(15,232)
Impairment of investments in subsidiaries	8	-	(134,660)
Other financial items	7	(3,285)	448
Net financial items		10,522	159,534
PROFIT / (LOSS) BEFORE TAX		**6,332**	**152,870**
Income tax	17	-	-
PROFIT / (LOSS) FOR THE PERIOD		**6,332**	**152,870**
Of which attributable to common shareholders		(868)	143,804
Of which attributable to preference shareholders		7,200	9,066
EARNINGS PER SHARE (USD)			
Basic earnings per share	18	(0.00)	0.61
Diluted earnings per share	18	(0.00)	0.61

Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2022	2022
Profit / (loss) for the period		6,332	152,870
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		**6,332**	**152,870**
Total comprehensive income for the period is attributable to:			
Common shareholders		(868)	143,804
Preference shareholders		7,200	9,066

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	8	857,140	856,742
Non-current receivables subsidiaries	4	116,629	339,078
Non-current receivable Odfjell Technology Ltd	10	30,196	-
TOTAL NON-CURRENT ASSETS		**1,003,965**	**1,195,821**
Other current assets	10	9,152	675
Other current receivables subsidiaries		1,702	-
Cash and cash equivalents	11	8,178	1,951
TOTAL CURRENT ASSETS		**19,031**	**2,626**
TOTAL ASSETS		**1,022,996**	**1,198,446**

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	14	2,368	2,529
Other contributed capital		367,785	442,623
Other reserves		2,638	2,241
Retained earnings		577,858	626,212
TOTAL EQUITY		**950,649**	**1,073,605**
Non-current interest-bearing borrowings	12	-	95,000
Non-current liabilities subsidiaries	4	64,475	25,753
Warrant liabilities		-	2,810
TOTAL NON-CURRENT LIABILITIES		**64,475**	**123,563**
Warrant liabilities		4,240	-
Trade payables		583	83
Other current liabilities	10	3,050	1,195
TOTAL CURRENT LIABILITIES		**7,873**	**1,278**
TOTAL LIABILITIES		**72,348**	**124,841**
TOTAL EQUITY AND LIABILITIES		**1,022,996**	**1,198,446**

The Board of Odfjell Drilling Ltd.

18 April 2024, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity	Equity attributable to common shares	Equity attributable to preference shares	Total equity
BALANCE AT 1 JANUARY 2022		**2,529**	**562,430**	**1,873**	**477,875**	**1,044,707**	**955,168**	**89,539**	**1,044,707**
Profit/(loss) for the period		-	-	-	152,870	152,870	143,804	9,066	152,870
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**152,870**	**152,870**	**143,804**	**9,066**	**152,870**
Distribution of shares in Odfjell Technology Ltd. to common shareholders	3	-	(119,807)			(119,807)	(119,807)	-	(119,807)
Cash dividend to preference shareholders	14	-	-	-	(4,533)	(4,533)	-	(4,533)	(4,533)
Cost of share-based option plan	5	-	-	368		368	368	-	368
Transactions with owners		**-**	**(119,807)**	**368**	**(4,533)**	**(123,972)**	**(119,439)**	**(4,533)**	**(123,972)**
BALANCE AT 31 DECEMBER 2022		**2,529**	**442,623**	**2,241**	**626,212**	**1,073,605**	**979,534**	**94,072**	**1,073,605**
Profit/(loss) for the period		-	-	-	6,332	6,332	(868)	7,200	6,332
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**6,332**	**6,332**	**(868)**	**7,200**	**6,332**
Dividend to common shareholders	14	-	-	-	(28,415)	(28,415)	(28,415)	-	(28,415)
Cash dividend to preference shareholders	14	-	-	-	(2,332)	(2,332)	-	(2,332)	(2,332)
Repurchase and cancellation of preference shares	14	(161)	(74,839)	-	(23,940)	(98,940)	-	(98,940)	(98,940)
Cost of share-based option plan	5	-	-	398	-	398	398	-	398
Transactions with owners		**(161)**	**(74,839)**	**398**	**(54,687)**	**(129,289)**	**(28,017)**	**(101,272)**	**(129,289)**
BALANCE AT 31 DECEMBER 2023		**2,368**	**367,785**	**2,638**	**577,858**	**950,649**	**950,649**	**-**	**950,649**

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		6,332	152,870
Adjustments for:			
Loss disposal of subsidiaries		-	3,438
Cost of Share-option plan		-	197
Net interest expense / (income)		(20,644)	1,684
Change in value of market-based derivatives	16	1,986	1,331
Impairment of investments in subsidiaries	8	-	134,660
Income from subsidiaries	4,8	561	(296,257)
Net currency loss / (gain) not related to operating activities		-	7
Changes in working capital:			
Trade payables		500	9
Other accruals and current receivables /payables		(8,879)	632
CASH GENERATED FROM OPERATIONS		**(20,144)**	**(1,429)**
Net interest received / (paid)		459	40
NET CASH FLOW FROM OPERATING ACTIVITIES		**(19,685)**	**(1,389)**

USD thousands	Note	2023	2022
Cash flows from investing activities:			
Proceeds from non-current receivables subsidiaries	4	144,970	1,500
Proceeds from current intercompany loans	4	-	4,827
Payments to subsidiaries, non-current receivables	4	-	(109,800)
Payment of capital increases in subsidiaries		-	(5,010)
Payment regarding letter of indemnity to Odfjell Technology Ltd		(30,757)	-
NET CASH FLOW FROM INVESTING ACTIVITIES		**114,213**	**(108,483)**
Cash flows from financing activities:			
Proceeds from external borrowings	12	-	95,000
Repayment of external borrowings	12	(95,000)	-
Proceeds from borrowing facilities from subsidiaries	4	35,114	18,224
Dividends paid	14	(28,415)	(2,220)
NET CASH FROM FINANCING ACTIVITIES		**(88,301)**	**111,003**
Exchange gains/(losses) on cash and cash equivalents		-	(7)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**6,227**	**1,124**
Cash and cash equivalents at 01.01		1,951	826
CASH AND CASH EQUIVALENTS AT 31.12		**8,178**	**1,951**

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

Notes to the Parent Company Financial Statements

All amounts are in USD thousands unless otherwise stated

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Note 1 Accounting policies

The principal activities of the Company is owning its shares in subsidiaries, as well as providing management services.

The financial statements for Odfjell Drilling Ltd., have been prepared and presented in accordance with IFRS® 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 8 - Investments in subsidiaries.

Dividends

Dividends and group contribution from subsidiaries are recognised in profit or loss in the parent company financial statements when the Company's right to receive the dividend is established.

For further information, reference is made to the consolidated group financial statements

Note 2 Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other factors which are outside the Company's control. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The most important areas where estimates and judgements are having an impact are listed below.

Detailed information regarding significant judgement is disclosed in the following notes:

- Non-current receivable - Letter of indemnity (Note 10 - Other assets and liabilities)
- Evaluation of indicators of impairment of investment in subsidiaries (Note 8 - Investment in subsidiaries)

Detailed information regarding estimation uncertainty is disclosed in the following notes:

- Warrant liabilities measured at fair value (Note 13 - Warrant Liabilities)

Going concern

Refer to Consolidated Financial Statements Note 3 - Critical accounting estimates and judgements.

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

Note 3 Other gains and losses

Refer to the Note 4 Discontinued operations in the Consolidated Financial Statements for information regarding the spin-off of Odfjell Technology in 2022.

The fair value of the net assets distributed to the shareholders in 2022 was USD 119.8 million, compared to a book value of the shares in Odfjell Technology Ltd of USD 123.2 million. A loss of USD 3.4 million was recognised in 2022.

There are no other gains and losses in 2023.

Note 4 Related parties - transactions, receivables and liabilities

Revenue from related parties

Type of transaction	Related party	Relation	2023	2022
Management fee	Companies in Odfjell Drilling Ltd Group	Subsidiary	76	69
Other consultancy services	Companies in Odfjell Technology Ltd Group	Related to main shareholder	61	110
Dividends	Odfjell Drilling Services Ltd.	Subsidiary	-	280,000
Dividends	Odfjell Offshore Ltd.	Subsidiary	-	16,257
Interest income non-current loan	Odfjell Rig Owning Ltd.	Subsidiary	23,793	12,681
Guarantee provision	Companies in Odfjell Drilling Ltd Group	Subsidiary	1,702	2,166
TOTAL			**25,632**	**311,284**

Related parties expenses

Type of transaction	Related party	Relation	2023	2022
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	3,608	14,313
Interest on long term loan	Odfjell Offshore Ltd.	Subsidiary	-	92
Service fee	Odfjell Drilling AS	Subsidiary	98	96
Service fee	Companies in Odfjell Technology Ltd Group	Related to main shareholder	9	10
Facility services	Companies in Odfjell Technology Ltd Group	Related to main shareholder	146	145
TOTAL			**3,862**	**14,656**

Non-current receivables- related parties

Subsidiary	Interest conditions	Maturity date	Receivable 2023	Receivable 2022	Interest income 2023	Interest income 2022
Odfjell Rig Owning Ltd.	3 mnt USD Term SOFR+ 3.5% margin	09.05.2029	116,629	339,078	23,793	12,681
TOTAL NON-CURRENT			**116,629**	**339,078**	**23,793**	**12,681**

Movements in non-current receivables subsidiaries are analysed as follows:

USD thousands	2023	2022
Carrying amount as at 1 January	339,078	220,410
Cash flows:		
New loans provided to subsidiaries	-	109,800
Payments received from subsidiaries	(144,970)	(1,500)
Non-cash flows:		
Reclassified from current receivables	(2,332)	(2,313)
Repurchase of preference shares offset loan receivable	(98,940)	-
Interest accrued	23,793	12,681
CARRYING AMOUNT AS AT 31 DECEMBER	**116,629**	**339,078**

The company has a loan agreement with subsidiary Odfjell Rig Owning Ltd.

Refer to Note 8 - Investments in subsidiaries for impairment indicator assessment as at 31 December 2023.

Non-current receivable Odfjell Technology Ltd

Refer to Note 28 Contingencies in the Group Financial Statements for information about the letter of indemnity issued by the Company to Odfjell Technology Ltd.

Non-current liabilities- related parties

Non-current loans from subsidiaries:	Interest conditions	Maturity date	Liabilities 2023	Liabilities 2022	Interest expenses 2023	Interest expenses 2022
Odfjell Offshore Ltd.	n/a	n/a	n/a	n/a	-	92
Odfjell Drilling Services Ltd.	3 mth LIBOR + 3.5% margin	09.11.2025	64,475	25,753	3,608	14,313
TOTAL LOANS FROM SUBSIDIARIES			**64,475**	**25,753**	**3,608**	**14,405**

The loan agreement with Odfjell Offshore Ltd., was settled in February 2022.

The loan agreement between the Company and the subsidiary Odfjell Drilling Services Ltd is expected to be amended in 2024 in order to convert the interest conditions from LIBOR to a USD Term SOFR based interest rate.

Movements in non-current liabilities subsidiaries are analysed as follows:

USD thousands	2023	2022
Carrying amount as at 1 January	25,753	273,217
Cash flows:		
Proceeds from loan	35,114	18,224
Repayment of loan	-	-
Non-cash flows:		
Dividend received offset in loan	-	(280,000)
Interest cost accrued	3,608	14,313
CARRYING AMOUNT AS AT 31 DECEMBER	**64,475**	**25,753**

The loan agreement with Odfjell Drilling Services Ltd., a subsidiary to the company, was amended in December 2022 The new due date was set to 9 November 2025, and the maximum aggregated loan amount for the borrowing facility is now USD 200 million.

Current receivables and liabilities - related parties

USD thousands			2023	2023	2022	2022
Type of transaction	**Related party**	**Relation**	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Trade	Subsidiaries	Subsidiary	92	(98)	-	-
Trade	Companies in Odfjell Technology Ltd Group	Related to main shareholder	77	(110)	112	(199)
Other current	Subsidiaries	Subsidiary	1,702	-	-	-
Other current	Companies in Odfjell Technology Ltd Group	Related to main shareholder	-	(2,071)		
TOTAL CURRENT			**1,870**	**(2,279)**	**112**	**(199)**

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

Note 5 Personnel expenses

USD thousands	2023	2022
Wage cost		
Salaries	178	352
Payroll tax	27	51
Pension costs	15	19
Employee benefits	35	8
Management compensation:		
Board of directors fee	174	207
Cost of Share-option plan	-	197
TOTAL PERSONNEL EXPENSES	**429**	**834**

The company had two employees at 31 December 2023 and (two at 31 December 2022).

For details of salary, variable pay and other benefits provided to the General Manager and compensation to the Board of Directors, refer to Note 32 - Remuneration to the Board of Directors, key executive management and Group auditor in the Group Financial Statements.

The expense related to services provide by the General Manager are part of the Other operating expenses.

Refer to Note 33 - Share-based payments in the Group Financial Statements for information about the Cost of Share-option plan.

No loans or guarantees have been given to the members of the board of directors.

Note 6 Operating expenses

USD thousands	Note	2023	2022
Fee to the auditor (excluding VAT):			
Auditors fee		123	141
Other services from auditor		23	13
Other operating expenses:			
Service fee	4	108	106
Facility services	4	146	145
Fees legal and financial assistance		3,366	2,076
Travel expenses		11	19
Other expenses		121	71
TOTAL OPERATING EXPENSES		**3,898**	**2,571**

Note 7 Financial income and expenses

USD thousands	Note	2023	2022
Interest income from subsidiaries	4	23,793	12,681
Other interest income		459	40
TOTAL INTEREST INCOME		**24,252**	**12,721**

USD thousands	Note	2023	2022
Interest expenses borrowings from subsidiaries	4	(3,608)	(14,405)
Interest expense external borrowings	12	(6,838)	(827)
Other interest expenses		-	(0)
TOTAL INTEREST EXPENSES		**(10,446)**	**(15,232)**

USD thousands		2023	2022
Guarantee commissions	4	1,702	2,166
Change in value of market-based derivatives	16	(1,986)	(1,331)
Net currency gain / (loss)		(3,000)	(388)
TOTAL OTHER FINANCIAL ITEMS		**(3,285)**	**448**

Note 8 Investments in subsidiaries

Listing of directly owned subsidiaries

Company	Acquisition/ formation date	Registered office	Place of business	Shares owned	Voting rights	Functional currency	Share capital in USD	Profit / (loss) 2023	Equity as at 31.12.2023	Book value as at 31.12.2023
Odfjell Drilling Services Ltd.	2011	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	2,884	53,174	50,450
Odfjell Rig Owning Ltd.	2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%	USD	10,000	376,231	1,073,227	806,690
									TOTAL	**857,140**

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.

Dividends received

The Company has not received any dividends in 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.

Odfjell Drilling has not identified any impairment indicators for the investments as at 31.12.2023.

Note 9 Financial assets and liabilities

Financial instruments by category and level

The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For short term assets and liabilities at level 3, the value is approximately equal to the carrying amount. As the time horizon is due in short term, future cash flows are not discounted.

Valuation techniques used to derive Level 3 fair values

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

Fair value for instruments at amortised cost

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

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

USD thousands	Note	Level	31.12.2023	31.12.2022
Financial assets at fair value through profit or loss				
Derivatives not designated as hedging instruments				
• Foreign exchange forward contracts - Other current assets	16	2	-	529
Investment in bonds		2	8,715	-
Other financial assets				
• Non-current receivables subsidiaries	4		116,629	339,078
• Other current assets			183	129
• Other current receivables subsidiaries			1,702	-
• Cash and cash equivalents	11		8,178	1,951
TOTAL ASSETS AS AT 31.12			**135,407**	**341,686**

USD thousands	Note	Level	31.12.2023	31.12.2022
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedging instruments				
• Foreign exchange forward contracts - Other current liabilities	15	2	27	-
Warrant liabilities - Other non-current liabilities	13	3	-	2,810
Warrant liabilities - Other current liabilities	13	3	4,240	-
Other financial liabilities				
• Non-current interest-bearing borrowings	12		-	95,000
• Non-current liabilities subsidiaries	4		64,475	25,753
• Other current liabilities			3,038	1,182
• Trade payables			583	83
TOTAL LIABILITIES AS AT 31.12.			**72,363**	**124,828**

Note 10 Other assets and liabilities

USD thousands	Note	31.12.2023	31.12.2022
Derivative financial instruments	16	-	529
Investment in 9.25% USD bond Odfjell Rig III		7,115	
Investment in 9.875% USD bond HMH Holding b.v.		1,600	
VAT receivables		253	18
Other current receivables	4	183	129
TOTAL OTHER CURRENT ASSETS		**9,152**	**675**

USD thousands	Note	31.12.2023	31.12.2022
Derivative financial instruments	16	27	-
Accrued interest expenses	12	-	827
Social security and other taxes		11	13
Accrued salaries, holiday pay and employee bonus provisions		37	82
Other payables and financial liabilities		2,519	-
Other accrued expenses		455	272
TOTAL OTHER CURRENT LIABILITIES		**3,050**	**1,195**

Non-current receivable Odfjell Technology Ltd

Refer to Note 28 Contingencies in the Group Financial Statements for information about the letter of indemnity issued by the Company to Odfjell Technology Ltd.

Note 11 Cash and cash equivalents

USD thousands	31.12.2023	31.12.2022
Current account NOK	31	1,425
Current account USD	710	429
Current account GBP	2,437	97
Time deposit USD	5,000	-
TOTAL CASH AND BANK DEPOSITS	**8,178**	**1,951**

None of the bank deposits are restricted.

Note 12 Interest-bearing borrowings

Specification

	Non-current	Current	Total	Non-current	Current	Total
USD thousands	**31.12.2023**	**31.12.2023**	**31.12.2023**	**31.12.2022**	**31.12.2022**	**31.12.2022**
Borrowings	-	-	-	95,000	-	95,000
Accrued interest expenses	-	-	-	-	827	827
CARRYING AMOUNTS INTEREST-BEARING BORROWINGS	**-**	**-**	**-**	**95,000**	**827**	**95,827**

Direct loan

The direct loan of USD 95 million was repaid in October 2023.

Movements in interest-bearing borrowings are analysed as follows:

	Non-current	Current	Total	Non-current	Current	Total
USD thousands	**2023**	**2023**	**2023**	**2022**	**2022**	**2022**
Carrying amount as at 1 January	95,000	827	95,827	-	-	-
Cash flows:						
New borrowings	-	-	-	95,000	-	95,000
Repayment borrowings	(95,000)	-	(95,000)	-	-	-
Non-cash flows:						
Change in accrued interest cost	-	(827)	(827)	-	827	827
CARRYING AMOUNT AS AT 31 DECEMBER	**-**	**-**	**-**	**95,000**	**827**	**95,827**

Note 13 Warrant Liabilities

Refer to Note 23 Market risk in the Group Financial Statements.

Note 14 Share capital and shareholders

Refer to Note 25 - Share capital and shareholder information in the Group Financial Statements.

Preference shares

The 16,123,125 preference shares were issued in 2018 to an affiliate of Akastor ASA.("Akastor"). 29 November 2022, Odfjell Rig Owning Ltd, a subsidiary of the Company, purchased the preference shares from Akastor. Warrants held by Akastor are not part of the transaction and remain with Akastor.

In October 2023, the Odfjell Drilling Ltd repurchased and cancelled all the 16,123,125 treasury preference shares.

As per 31 December 2023 the Group does not hold any treasury shares.

Cash dividend paid in 2023

The Company paid cash dividends of USD 2.3 million in June 2023 (USD 0.145 per share) to subsidiary Odfjell Rig Owning Ltd as the holder of the preference shares at that point. The dividend was offset in the loan agreement with the subsidiary.

22 August 2023, the Board of Directors approved a dividend distribution of 0.06 USD per common share, equal to approximately USD 14.2 million, which was paid in September 2023.

1 November 2023, the Board of Directors approved a dividend distribution of 0.06 USD per common share, equal to approximately USD 14.2 million, which was paid in November 2023.

Total dividend payments in 2023 was 0.12 USD per common share equal to approximately USD 28.4 million.

Note 15 Guarantees and securities

Guarantees from the company in relation to subsidiaries' loan agreements

Odfjell Drilling Ltd has furnished an On-Demand Guarantee under the following facility agreements:

- USD 300 million bank facility agreement entered into in 2023 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 390 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 390 million secured bond issued in May 2023 with Odfjell Rig III Ltd as issuer. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 487.5 million plus any interest, fees and expenses related to the bond.
- USD 325 million term loan facility agreement entered into on 30 October 2018, and amended and extended in 2023, with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

Other securities

Refer to Note 27 - Securities and mortgages in the Consolidated Financial Statements.

Guarantees from the company in relation to subsidiaries' other agreements

Odfjell Drilling Ltd., has issued parent company guarantee related to Odfjell Drilling AS' property rental contract with Odfjell Land AS Group.

Parent company guarantees in relation to the subsidiaries' loan agreements:

USD thousands	31.12.2023	31.12.2022
Loan agreement in Odfjell Invest Ltd., senior facility *	-	359,262
Loan agreement in Odfjell Invest Ltd., junior facility *	-	130,035
Loan agreement in Odfjell Invest Ltd., Term loan and RCF	208,492	-
Loan agreement in Odfjell Rig III Ltd. *	-	253,200
Bond loan in Odfjell Rig III Ltd	470,407	-
Loan agreement in Odfjell Rig V Ltd.	280,804	314,708
Seller's credit in Odfjell Rig Owning Ltd *	-	25,178
TOTAL GUARANTEE LIABILITIES	**959,703**	**1,082,383**

** Repaid in 2023*

Book value of assets pledged as security

USD thousands	31.12.2023	31.12.2022
Shares in Odfjell Rig Owning Ltd.	806,690	806,292
Intra-group receivables (Odfjell Drilling group)	118,331	339,078
Bank deposits	8,178	1,951
TOTAL BOOK VALUE OF ASSETS PLEDGED AS SECURITY	**933,199**	**1,147,321**

Note 16 Financial Risk Management

Refer to Note 21 - 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
Non-current liabilities subsidiaries	3,101	3,101	69,809	-	-	76,012	64,475
Other current liabilities	3,038	-	-	-	-	3,038	3,038
Trade payables	583	-	-	-	-	583	583

In addition to the financial liabilities listed in table above, the company has issued guarantees in relation to subsidiaries' loans agreements. See further information in Note 15.

Maturity of financial liabilities - 31.12.2022

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current interest-bearing borrowings	4,588	4,563	9,175	108,688	-	127,014	95,827
Non-current liabilities subsidiaries	923	923	1,847	27,969	-	31,662	25,753
Other current liabilities	355	-	-	-	-	355	355
Trade payables	83	-	-	-	-	83	83

Foreign exchange risk

The Company has foreign exchange contracts at fair value through profit and loss.

Foreign currency contracts	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2023						
Buy foreign currency (at fair value through profit or loss)	NOK	64,100	15.04.2024	n/a	12.82000	(27)
Sell foreign currency (at fair value through profit or loss)	**GBP**	**5,000**	**15.04.2024**	**n/a**	**12.82000**	**included in amount above**
31.12.2022						
Buy foreign currency (at fair value through profit or loss)	NOK	290,000	30.05.2023	n/a	0.10345	825
Sell foreign currency (at fair value through profit or loss)	NOK	321,300	30.05.2023	n/a	0.09337	(296)

Amounts recognised in profit and loss:

USD thousands	31.12.2023	31.12.2022
Foreign exchange contracts - at fair value through profit or loss		
Change in fair value	(556)	529
Warrant liability - at fair value through profit or loss		
Change in fair value	(1,430)	(1,860)

Foreign exchange risk - Exposure 31.12.2023

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	31	2,437	-
Foreign currency contracts			
Buy foreign currency (at fair value through profit or loss)	6,301	-	-
Sell foreign currency (at fair value through profit or loss)	-	6,357	-

Foreign exchange risk - Sensitivity

The company is to a limited extent exposed to changes in USD/GBP exchange rates. If USD is strengthened by 10% against GBP, the reduction Cash and cash equivalents of USD 0.24 million will reduce net profit before taxes. If USD is weakened by 10% against GBP, the increase Cash and cash equivalents of USD 0.24 million will increase net profit before taxes.

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 4 - Related parties - transactions, receivables and liabilities. Both receivables and liabilities are variable rate borrowings based on USD SOFR or LIBOR. Should these increase by 1%, interest income would increase by USD 1.2 million, while interest expenses would increase by USD 0.6 million, resulting in a net increase of profit before taxes of USD 0.6 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 4 - Related parties - transactions, receivables and liabilities. Furthermore, the Company has issued financial guarantees to subsidiaries as listed in Note 15 - Guarantees and Securities.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables and financial guarantee contracts mentioned above has not increased significantly since initial recognition, and the company therefore measures the loss allowance to an amount equal to 12-months expected credit losses.

Due to the low estimated probability of default in the next 12-month period no loss provision is recognised.

Note 17 Income taxes

Odfjell Drilling Ltd. is registered in Bermuda.

There is no Bermuda income, corporation, or profit tax, withholding tax, capital gains, capital transfer tax, estate duty or inheritance tax payable by the company or its shareholders not ordinarily resident in Bermuda. The company is not subject to Bermuda stamp duty on the issue, transfer or redemption of its shares.

The company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1996 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 2035 be applicable to the company or to any of its operations, or to the shares, debentures or other obligations of the company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the company or any land leased or let to the company.

As an exempted company, the company is liable to pay a registration fee in Bermuda at a rate presently amounting to USD 19,605 per annum.

The company is from 11 December 2018 tax resident in the United Kingdom as a consequence of the Special General Meetings resolution 11 December 2018, amending then Bye-laws and subsequently changing the composition of the Board of Directors to a majority of UK residents. The company is as all United Kingdom resident companies residents liable for UK corporate income taxes.

The company did not pay any taxes to the United Kingdom for the fiscal year 2021, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2022.

The company does not have any material temporary differences and therefore have not recognised any deferred taxes.

Income tax reconciliation

USD thousands	**2023**	**2022**
Profit / (loss) before tax	6,332	152,870
Tax calculated at domestic tax rate - 25% (19%)	(1,583)	(29,045)
Effect of non-taxable income and expenses	3,452	29,573
Effect of group relief	(1,869)	(528)
TOTAL INCOME TAX EXPENSE	**-**	**-**

Note 18 Earnings per share

USD thousands	2023	2022
Profit/(loss) for the period	6,332	152,870
Adjustment for dividends on preference shares	(7,200)	(9,066)
PROFIT/(LOSS) FOR THE PERIOD DUE TO HOLDERS OF COMMON SHARES	**(868)**	**143,804**
Adjustment related to warrants and share option plan	-	-
DILUTED PROFIT/(LOSS) FOR THE PERIOD DUE TO THE HOLDERS OF COMMON SHARES	**(868)**	**143,804**

Refer to Note 34 - Earnings per share in the Group Financial Statements for accounting policy and further description

	2023	2022
Weighted average number of common shares in issue	236,783,202	236,783,202
Effects of dilutive potential common shares:		
Warrants	-	-
Share option plan	-	-
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	**236,783,202**	**236,783,202**

	2023	2022
Basic earnings per share	(0.00)	0.61
Diluted earnings per share	(0.00)	0.61

Note 19 Events after the reporting period

There have been no events after the balance sheet date with material effect on the financial statements ended 31 December 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 company 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 company, together with a description of the principal risks and uncertainties facing the entity and the company.

The Board of Odfjell Drilling Ltd.

18 April 2024, London, United Kingdom

Simen Lieungh	Helene Odfjell	Harald Thorstein	Knut Hatleskog	Diane Stephen
Chair	Director	Director	Director	General Manager

Auditors Report

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Internet www.kpmg.no
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To the General Meeting of Odfjell Drilling Ltd

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- the financial statements of the parent company Odfjell Drilling Ltd (the Company), which comprise the statement of financial position as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including material accounting policy information, and
- the consolidated financial statements of Odfjell Drilling Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including 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 Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical

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responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services 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 10 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 units Deepsea Stavanger and Deepsea Atlantic have been previously impaired and are 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. For both assets management identified an impairment reversal indicator and determined the recoverable amount using valuation models which includes management's estimates of the future cashflows generated from these assets. The carrying value of these assets are sensitive to management's assumptions on rate level for the rigs beyond the current contract period and expected levels of utilisation. During 2023, impairment reversals were recognised for Deepsea Stavanger (USD 92 million) and Deepsea Atlantic (USD 71 million).	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 10 Tangible fixed assets.

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Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise 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.

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- 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 Drilling Ltd, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 529900M08ZU24JXMPB85-2023-12-31-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.

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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)

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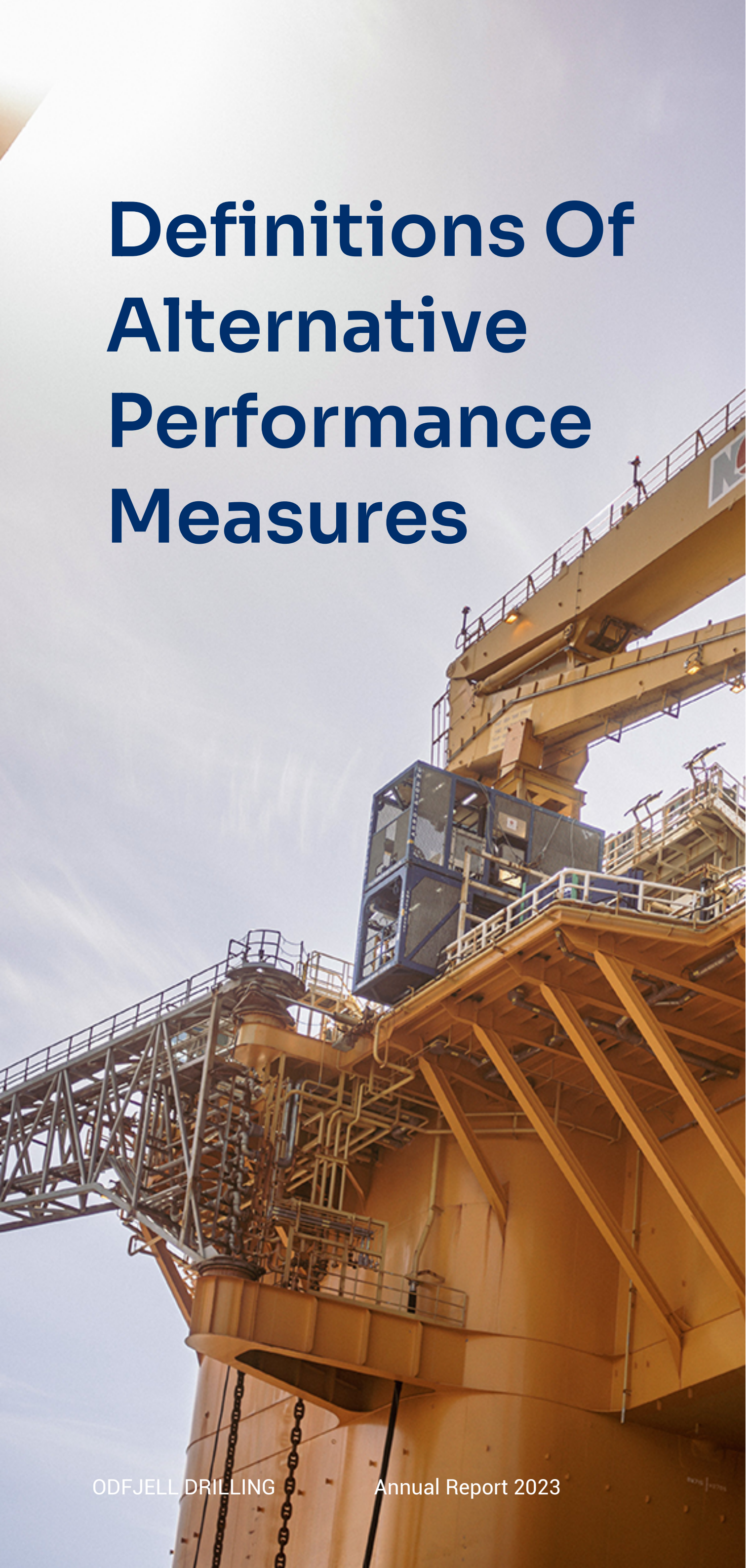

Definitions Of Alternative Performance Measures

CONTRACT BACKLOG

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

EBIT

Earnings before interest and taxes. Equal to Operating profit.

EBIT MARGIN

EBIT / Operating revenue

EBITDA

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

EBITDA MARGIN

EBITDA / Operating revenue

EQUITY RATIO

Total equity/total equity and liabilities

FINANCIAL UTILISATION

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

NET INTEREST-BEARING DEBT

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

NET (LOSS) PROFIT

Equal to Profit (loss) for the period

EARNINGS PER SHARE

Net profit / number of outstanding shares

LEVERAGE RATIO

		31.12.2023	
Non-current interest-bearing borrowings	USD	561.8	million
Current interest-bearing borrowings	USD	149.6	million
Non-current lease liabilities	USD	38.4	million
Current lease liabilities	USD	24.9	million
Adjustment for real estate lease liabilities	USD	(26.9)	million
A ADJUSTED FINANCIAL INDEBTEDNESS	**USD**	**747.8**	**MILLION**
Cash and cash equivalents	USD	129.2	million
Adjustment for restricted cash and other cash not readily available	USD	(18.4)	million
B ADJUSTED CASH AND CASH EQUIVALENTS	**USD**	**110.8**	**MILLION**
A-B=C ADJUSTED NET INTEREST-BEARING DEBT	**USD**	**637.0**	**MILLION**
EBITDA last 12 months	USD	328.5	million
Adjustment for effects of real estate leases	USD	(4.8)	million
D ADJUSTED EBITDA	**USD**	**323.7**	**MILLION**
C/D=E LEVERAGE RATIO		**2.0**	

Additional information: Sustainability Statement

Table of content

See the website for information on the GRI 2021 reference index, TCFD report and SASB index.

1. EU Taxonomy Tables 2023

The Taxonomy tables are prepared in accordance with the EU Taxonomy regulation (2020/852). Please refer to page 50 for more information about the evaluation of activities and basis of the reporting.

Turnover

Financial year 2023		Year		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (a)(2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate change: Mitigation (5)	Climate change: Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change: Mitigation (11)	Climate change: Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		USD million	%	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY - ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
				N/EL	N/EL														
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				N/EL	N/EL														
Turnover of Taxonomy-eligible Activities (A.1 + A.2)		0	0%																
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy Non-eligible activities		732.5	100%																
Total		732.5	100%																

Y:Yes, N:No, EL:Taxonomy-eligible activity for the relevant objective, N/EL:Taxonomy-non-eligible activity for the relevant objective.

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

CCM: Climate Change Mitigation, CCA: Climate Change Adaptation, WTR: Water and Marine Resources, CE: Circular Economy, PPC: Pollution Prevention and Control, BIO: Biodiversity and ecosystems

Capex

Financial year 2023		Year		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (a) (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate change: Mitigation (5)	Climate change: Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change: Mitigation (11)	Climate change: Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		USD million	%	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY - ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
				N/EL	N/EL														
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				N/EL	N/EL														
Capex of Taxonomy-eligible Activities (A.1 + A.2)		0	0%																
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy Non-eligible activities		111.6	100%																
Total		111.6	100%																

Y:Yes, N:No, EL:Taxonomy-eligible activity for the relevant objective, N/EL:Taxonomy-non-eligible activity for the relevant objective.

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0
PPC	0%	0%
BIO	0%	0%

CCM: Climate Change Mitigation, CCA: Climate Change Adaptation, WTR: Water and Marine Resources, CE: Circular Economy, PPC: Pollution Prevention and Control, BIO: Biodiversity and ecosystems

Opex

Financial year 2023		Year		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (a) (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate change: Mitigation (5)	Climate change: Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change: Mitigation (11)	Climate change: Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		USD million	%	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y ; N ; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY - ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
				N/EL	N/EL														
Opex of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				N/EL	N/EL														
Opex of Taxonomy-eligible Activities (A.1 + A.2)		0	0%																
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Opex of Taxonomy Non-eligible activities		33.6	100%																
Total		33.6	100%																

Y:Yes, N:No, EL:Taxonomy-eligible activity for the relevant objective, N/EL:Taxonomy-non-eligible activity for the relevant objective.

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

CCM: Climate Change Mitigation, CCA: Climate Change Adaptation, WTR: Water and Marine Resources, CE: Circular Economy, PPC: Pollution Prevention and Control, BIO: Biodiversity and ecosystems

2. Stakeholder dialogue

Enhanced reporting practices, the CSRD and The UK Modern Slavery Act and the Norwegian Transparency Act has underscored the necessity and value of increased engagement with business partners, particularly within the supply chain. This highlights the importance of ensuring ethical and sustainable practices, not only within the Group, but also across the broader ecosystem of partners and suppliers.

Membership Organisations: Bergen Næringsråd, Bergens Rederiforening, HR Norge, Innkjøpsforeningen, International Association of Drilling Contractors (USA), International Association of Drilling Contractors (North Sea Chapter), Kranteknisk Forening, Lifting Equipment Engineer Association, Maritime CleanTech, NIMA Forbund, Norwegian Shipowners Association, Norwegian Business Travel Association - NBTA, Norwegian-British Chamber of Commerce, Næringsforeningen i Stavanger, Philippine Norway Business Council, UK Drilling Contractors Association, PSA Safety Forum.

Key stakeholders	Method	Outcome
Investors and financial institutions	• Regular financial reporting (quarterly/annual reports) • Investor conferences and presentations • Direct communications through newsletters, emails, and updates • Q&A sessions during investor conference calls	• Increased investor confidence and transparency • Better financial support and investments • Strengthened market reputation
Rig owners	• Operational performance reports • Regular meetings and updates on market trends • Joint ventures and strategic partnership discussions • Safety and environmental compliance updates	• Enhanced operational efficiencies and safety standards • Strengthened partnerships and collaborations • Shared best practices and innovation
Clients	• Regular service performance reviews • Customised presentations on new services • Feedback sessions to understand client needs and improve service	• Increased client satisfaction and loyalty • Tailored solutions meeting client needs • Long-term business relationships
Suppliers	• Supplier meetings and workshops • Performance feedback and improvement plans • Collaboration on innovation and sustainability initiatives • Regular communication on procurement policies and forecasts	• Stronger supply chain relationships • Enhanced product quality and innovation • Efficient and sustainable supply processes
Employees, including local unions and employee groups	• Regular town hall meetings and board participation • Engagement surveys and feedback mechanisms • Training and development programs • Negotiations and consultations with unions • Health, safety, and wellness programs	• Improved employee morale and job satisfaction • Enhanced skills and productivity • Stronger labour relations • Reduced turnover and sick leave rates
Authorities	• Compliance and regulatory reporting • Meetings and briefings on industry regulations • Participation in industry forums and committees • Community engagement and environmental stewardship programs	• Compliance with legal and regulatory standards • Positive community relations • Contribution to industry standards and practices

3. Methodology Statement: GHG Emissions and Energy Consumption

Introduction

This methodology statement provides an overview of Odfjell Drilling's data methodology for GHG emissions and other emissions to air. Our accounting and reporting is done in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, complemented by the ISO 14064 standard.

Organisational Boundaries

The consolidation of GHG emissions is based on the Operational Control approach, in accordance with the ESRS guidelines.

Operational Boundaries

- Scope 1 direct GHG emissions: use of fuel, gas by Odfjell Drilling's owned fleet off hire.
- Scope 2 indirect GHG Emissions: The Group incurs indirect scope 2 emissions through purchased electricity for leased offices and bases. Odfjell Drilling does not own any offices or bases.
- Scope 3 indirect GHG Emissions: Indirect emissions from upstream and downstream value chain. This includes all emissions from both owned and management fleet on hire.
- Energy consumption within the organisation: from the complete fleet, includes information on electricity, heating, and cooling. Notably, there is no steam consumption, and we do not engage in the sale of electricity, heating, cooling, or steam.
- Air emissions: Nitrogen oxides, sulphur oxides and other significant air emissions, data split by owned and management fleet.

Data Collection Tools

- Synergi: scope 1 & scope 3 (categories 8 and 13)
- Supplier-specific data: scope 2, scope 3 (categories 4, 6, 7)
- Company Enterprise Resource Planning (ERP): scope 3 (categories 4, 6, 7)
- Vessel logbooks: scope 1 and 3 (categories 8, 13)
- Data from the suppliers or utility providers: energy consumption

Sources of Emissions Factors

- Scope 1: NOROG 044 v. 20, Norwegian Environment Agency "Utslippsfaktorer i klimagassregnskap for Norge", see table
- Scope 2 – Location-based: Norwegian Water Resources and Energy Directorate (NVE)
- Scope 2 – Market-based: Association of Issuing Bodies (AIB), NVE
- Scope 3: See specific categories in table
- Air emissions: NOROG 044 v. 20, Norwegian Environment Agency "Utslippsfaktorer i klimagassregnskap for Norge", see table

Calculations

Odfjell Drilling reports individual scope emissions in metric tons of CO_2 equivalents (tCO_2e). These emissions encompass all greenhouse gases recognised by the UNFCCC/Kyoto Protocol, aggregated and converted to CO_2e emissions within our operations or value chain. The unit conversion aligns with fuel properties detailed in emissions factor databases and prevailing average values per fuel.

Fuel and electricity data are harvested locally either via meter readings at the sites or via invoicing of purchased electricity and fuels. Each location submits their environmental data monthly for the premises and activities controlled by Odfjell Drilling. The energy consumption is reported in gigajoule.

Emission intensity per contract day

The days in operation of all rigs (owned and managed) is considered in calculating the intensity ratio, encompassing transits on contract, moored, and DP operations. Emission data is based on absolute (full-year) emissions.

Emission intensity per net revenue

Emission intensity per net revenue is calculated by dividing the total emissions (tonne CO2) from our owned fleet by the corresponding total operating net revenue for the year (MUSD). The emission is calculated from fuel consumption.

Energy consumption within the organisation

Fuel consumption comes from the consumption of MGO from the engines and boilers in the rig fleet and is logged in each rig's electronic logbook book. The density factor of MGO for converting from cubic meters to tonne MGO is based on the Norwegian Environment Agency's national standard factors density factor for MGO. Electricity consumption within the organisation is calculated based on consumption records from invoices or online databases where available from utility provider.

Energy intensity per net revenue

Energy intensity per net revenue is calculated by dividing the total energy consumption within the organisation (joules) from our fleet by the corresponding total operating net revenue for the year (MUSD). See methodology of energy consumption in the paragraph above.

Emission to air

Nitrogen oxide emissions (NO_x) are calculated by using a rig specific conversion factor for tonne fuel per kilogramme NO_x emission based on the Norwegian excise tax regulations. Sulphur oxide emissions (SOx) are calculated with a standard conversion factor between tonne fuel and kilo SO_x based on the type of fuel used.

Scope 1 direct GHG emissions

Previous scope 1 emissions are recalculated, with a portion now classified under scope 3 to report in accordance to updated reporting requirements and to clarify the roles of drilling contractors and operators. For more information, please see GHG emissions in the Sustainability Statement. The Group's CO_2 emissions within scope 1 are calculated based on fuel consumption from the combustion of MGO and HVO from the engines, boilers and third-party equipment on each rig.

Scope 2 indirect GHG emissions

The calculation is based on GHG protocol, both location-based and market-based method. The base year for calculation is 2019, the first year with available data. Odfjell Drilling did not purchase any Guarantees of origin (GO) in 2023. In accordance with ESRS, we initiated the recalculation of emissions from prior years using the market-based method.

Data from previous years were recalculated due to the change in emission factors.

Scope 3 indirect GHG emissions

The following table lists all the scope 3 categories that are included in the inventory, with a description on the calculation method, the exclusions in each category and the source of emissions factors. The categories that are not included are not relevant for Odfjell Drilling activities and business model.

Fleet specific: Due to great variations between operating years, we compare current emissions with those from operations when no emission reducing initiatives were implemented per rig, based on Poosmor ATA in anchored operational mode. This reflects rig technical specifications, and remove effects that wind, currents, waves, well conditions and drilling program have on emissions.

In the 2022 emissions calculations there was an update on the acetylene, biofuel blend and biofuel emissions factors to represent the emissions of the fuels used in the reporting year.

Emissions Source	**Main Calculations**	**Emissions Factor Source**
Category 4 – Upstream transportation & distribution	The data and the methodology are from frame agreement freight forwarder Logi Trans. Emissions are determined by evaluating pickup locations for goods and individual trip legs, utilising GPS data to calculate distances. The conversion factor between fuel type and CO_2 is then applied on a per kilometre basis for the specific freight category (land, sea, or air). When transport is shared, the Group's emissions share is computed based on the relevant order's portion of the total transport vehicle capacity. N2O, NOx, particles, SO, and non-methane hydrocarbon (NMHC) are included in the calculations. The base year for this data is 2021, marking the initial year with available information.	EcoTransIT World methodology (EcoTransIT, 2020) European Standard EN 16258:2012 (Standard, 2012). WRI/World Business Council for Sustainable Distribution Network for Transport Measures (NTM).
Category 6 – business travel	Group-level emission data for travel bookings, processed through our travel agent, follows the Thrust Carbon methodology. Calculations consider CO_2 emission factors per kilometre, varying factors like aircraft type, load, class, and cabin configuration. Emissions are categorised by standard CO_2 factors for each kilometre, distinguishing domestic, short haul, and long haul. The numbers in previous years were corrected by separating them into business travel and employee commuting. The base year is 2019.	Thrust Carbon
Category 7 – employee commuting	The category was introduced in 2023, and the numbers for previous years came from the separation between the data of business travel and employee commuting, reflecting flight emissions for offshore crew. Group-level travel emission data, processed through our travel agent, adheres to the Thrust Carbon methodology, considering conversion factors of CO_2 emissions per kilometre for the aircraft type, load factors, class of travel, cabin configuration, and radiative forcing. The increase in 2023 is tied to offshore commuting by the management fleet in Canada and Namibia, with 2019 as the base year.	Thrust Carbon
Category 8 – Upstream leased assets	Combustion of Marine Gas Oil (MGO) and Hydrotreated Vegetable Oil (HVO) by engines, boilers and third-party equipment on each rig. Fuel consumption is logged in each rig's electronic logbook in cubic metres of Marine Gas Oil (MGO) and Hydrotreated Vegetable Oil (HVO). EcoInvent v3.9. Conversion factor between MGO and CO_2, is retrieved from NOROG 044 v. 20 "Recommended guidelines for emission reporting". The density factor of MGO for converting cubic meters to tonne MGO is based on the Norwegian Environment Agency's national standard factors density factor for Marine Gas Oil (MGO). CO_2 emissions from fuel consumption is included.No biogenic CO_2 emissions are included.	NOROG 044 v. 20 "Recommended guidelines for emission reporting" Norwegian Environment Agency "Utslippsfaktorer i klimagassregnskap for Norge"
Category 13 – Downstream leased assets	Combustion of Marine Gas Oil (MGO) and Hydrotreated Vegetable Oil (HVO) by engines, boilers and third-party equipment on each rig. Fuel consumption is logged in each rig's electronic logbook in cubic metres of Marine Gas Oil (MGO) and Hydrotreated Vegetable Oil (HVO). EcoInvent v3.9. Conversion factor between MGO and CO_2, is retrieved from NOROG 044 v. 20 "Recommended guidelines for emission reporting". The density factor of MGO for converting cubic meters to tonne MGO is based on the Norwegian Environment Agency's national standard factors density factor for Marine Gas Oil (MGO). CO_2 emissions from fuel consumption is included. No biogenic CO_2 emissions are included.	NOROG 044 v. 20 "Recommended guidelines for emission reporting" Norwegian Environment Agency "Utslippsfaktorer i klimagassregnskap for Norge"

4. Performance evaluation: Environmental Impact

Indicator	2023	2022	2021
TOTAL SPILLS TO SEA			
Significant spills	0	0	0
Moderate spills	0	1	0
Minor spills	6	7	5
WASTE*			
Non-hazardous and hazardous waste (Tons)			
Non-hazardous waste generated	79.04	28.35	346.83**
Hazardous waste generated	14.43	2.03	2.45
Total waste generated	93.07	30.38	349.28
Waste by disposal measurements (Tons)***			
Waste diverted from disposal	77.56		
Waste directed to disposal	15.91		
Total	93.07		

** Onshore waste from Ågotnes central warehouse. Typical waste from our operations is wood, metal, chemicals, plastic, paper and cardboard, oily rags, food and general waste. Drill cuttings and waste drilling fluids are mainly generated by the drilling operations.*

*** High volume related to the recycling of Deepsea Bergen.*

**** Data not available in 2021 and 2022 due to lack of information of waste disposal measurements.*

MODERATE SPILLS TO SEA

Year*	Location	Volume (m3)	Type of spill
2020	Norway	7.0	Oil based mud
2022	Norway	0.09	Hydraulic oil

** The environmental impact related to the moderate spills in 2020 and 2022 was assessed to be of low significance.*

Indicator	2023	2022	2021*
NUMBER OF WORK-RELATED INJURIES			
Odfjell drilling personnel			
Fatalities	0	0	0
High-consequence injuries	0	0	0
Total recordable injuries	6	10	3
Non-Odfjell Drilling personnel			
Fatalities	0	0	0
High-consequence injuries	0	0	0
Total recordable injuries	13	5	1
FREQUENCIES OF WORK-RELATED INJURIES*			
Odfjell Drilling personnel			
Fatalities	0	0	0
High-consequence injuries**	0	0	0
Total recordable injuries**	2.2	5.5	2.1
Working hours	2,730,783	1,825,099	1,449,600
Non-Odfjell Drilling personnel			
Fatalities	0	0	0
High-consequence injuries**	0	0	0
Total recordable injuries**	5.9	3.4	0.7
Working hours	2,191,344	1,477,281	1,449,600

** Data from 2021 do not include onshore employees*

*** Frequency is the number of injuries per 1,000,000 working hours*

5. Performance evaluation: Social Impact

Full time positions

Odfjell Drilling aims to employ full-time staff. However, we also accommodate requests for part-time work to meet the needs of our employees. The Group monitors this area through employee surveys and data management.

The majority of employees and contractors within our workforce work offshore and have contracts regulated by Norwegian labour law.

Use of contractors

The Group conducts yearly in-depth management assessments of employment types. The analysis encompasses all employees who are permanently or temporarily employed directly by the Group, while contractors and consultants are considered on a case to case basis.

Odfjell Drilling uses contractors (e.g. hired-in resources) for full-time work or part-time and hourly assistance, for periodical work, to complement the resources directly employed by the Group. These are usually contractors with competence that we lack in our own workforce and portfolio, or short-term specialists required for projects like international assignments and yard stays. The use of contractors is also contingent on the requirement for local national content as part of international drilling operations. Contractors are also used to ensure enough resources in the competence pool (temporary pool of resources) for the offshore activities.

As a main rule, the Group sources contractors through frame agreements. These agreements are regulated through our supply chain processes. The terms and conditions applicable for the contractor and the agency are aligned with the terms and conditions for the regular employees within the legal entity for which they work.

Suppliers of contractors are audited through frame agreements to ensure compliance within areas like competence and certification, fair working terms and conditions, and non-retaliation or discrimination.

The Group closely monitors the use of temporary employees and has regular meetings with unions (and employee representatives where relevant) to evaluate the need for, and use of, temporary employment contracts.

Indicator	2023	2022	2021
NUMBER OF WORKFORCE INCLUDING CONTRACTORS			
Employees	1,563	1,358	1,135
Contractors full time	182	80	11
FTE* Contractors part-time	106	67	23
Total number of workforce including contractors	1,851	1,505	1,169
NUMBER OF PERMANENT AND TEMPORARY CONTRACT			
Permanent Female	50	47	50
Permanent Male	1,485	1,259	1,048
Temporary Female	8	6	2
Temporary Male	47	46	35
NUMBER OF FULL TIME AND PART-TIME CONTRACT			
Full time Female	58	53	52
Full time Male	1,501	1,300	1,080
Part-time (1-99%) Female	0	0	0
Part-time (1-99%) Male	4	5	3
Total number of contracts	1,563	1,358	1,135
FEMALE REPRESENTATION %			
Offshore	2.29%	2.63%	2.83%
Onshore	20.00%	19.61%	22.33%
Total female representation %	3.71%	3.90%	4.61%
FEMALE REPRESENTATION VS. POSITION LEVEL - TOP MANAGEMENT LEVELS ONLY %			
CEO & GM (Level 1)	50%	50%	50%
Board of Directors	33%	33%	50%
Executive Management (Level 2)	30%	29%	18%
Business Area management (Level 3)	33%	27%	29%

** FTE: full time equivalent*

Sick leave

Ensuring a good working environment and sickness absence management is an important part of the work carried out by the HR department in all our locations. By advocating for health in the workplace and fostering a secure work environment, we can effectively address health and well-being.

The Group has procedures for following up unacceptable behaviour and noncompliance in our CMS. All employees in Odfjell Drilling, safety delegates and union representatives have a responsibility to immediately notify and act if they see any bullying. Leaders have a special responsibility to prevent unacceptable behaviour.

Sick Leave Preventive Measure Policy

The Sick Leave Preventive Measure Policy employs various tools to enhance workforce health, including Work Environment Surveys and Global Sick Leave Reports to identify and act on trends early. High-absence departments are analysed further. We provide training, online courses, and health campaigns for all staff, alongside regular company doctor meetings. Health insurance supports employee return-to-work efforts, with formal follow-up plans aiding both parties. The policy also emphasizes healthy workplace practices through resource planning, workload monitoring, a zero-tolerance policy for bullying, and fostering open communication

Parental leave

Parental leave policies for all locations follow local legislation. All employees are entitled to parental leave. All data regarding parental leave taken during the regular work schedule are captured in our Enterprise Resource Planning ("ERP") system. The diversity in working schedules limits our reliable data collection to just the onshore population.

Indicator	2023|	2022	2021
SICK LEAVE PER CATEGORY %			
Onshore	1.22%	1.00%	1.10%
Offshore	5.09%	5.50%	4.60%
Total sick leave*	4.71%	5.10%	5.10%
SICK LEAVE DISTRIBUTION %			
Short term	2.92%	3.40%	3.80%
Long term	1.79%	1.70%	1.30%

** Total Includes Covid-19 related Sick-leave without Covid-19 was 4.4%, in 2021. Covid-19 preventive measures from 2020 were extended, focusing on promoting national vaccination programs.*

End of employment practices

In the event of redundancy processes within the Group, it is standard procedure that affected employees are offered transition assistance, skills assistance and employability assistance. In many cases the Group uses external providers with expertise and competence in the area of employment transition.

In advance of retirement, the Group offers and pays for individual financial advice provided by the pension fund provider. Monthly monitoring of the number of employees and turnover within each operational area, provides overview and opportunity to identify reasons for leaving, and preventing issues that may cause negative turnover.

Indicator	2023|	2022	2021*
TURNOVER PER CATEGORY %			
Onshore	0.90%	4.78%	4.69%
Offshore	2.50%	1.58%	1.32%
Total turnover	2.4%	1.85%	1.65%
TURNOVER BY REGION (WORK LOCATION COUNTRY) %			
Norway	2.40%	1.58%	
Namibia		6.25%	
United Kingdom	0%	40%	
TURNOVER PER GENDER CATEGORY %			
Female	5.40%	1.94%	
Male	2.30%	1.85%	
TURNOVER PER AGE GROUP %			
0-19	0%	0%	
20-29	1.60%	0.58%	
30-39	2%	3.24%	
40-49	3.60%	1.59%	
50-59	1.90%	1.55%	
60-69	1.90%	0%	
70+	0%	0%	

** Please refer to the 2021 sustainability report for numbers before the company split.*

Indicator		2023	2022	2021*
NUMBER OF DIRECTORS/EMPLOYEES IN GROUP GOVERNANCE BODIES				
Board of Directors		4	3	4
CEO & GM (Level 1)		2	2	2
Executive Management (Level 2)		10	7	8
Business Area Management(Level 3)		12	11	10
REGIONAL REPRESENTATION IN THE GROUP %				
Scandinavia		89.30%	96%	99%
Central/Western Europe		6.10%	3%	1%
Other		4.60%	1%	0%
NUMBER OF NATIONALITIES REPRESENTED IN GROUP GOVERNANCE BODIES				
Board of Directors		1	1	3
CEO & GM (Level 1)		2	2	2
Executive Management (Level 2)		2	2	3
Business Area Management (Level 3)		2	2	4
NUMBER OF NATIONALITIES REPRESENTED IN GROUP GOVERNANCE BODIES BY CITIZENSHIP				
Board of Directors	Norwegian	4	4	
CEO & GM (Level 1)	Norwegian	1	1	
	UK	1	1	
Executive Management (level 2)	Norwegian	6	7	
	Danish	2	1	
Business Area Management (Level 3)	Norway	11	9	
	UK	1	1	
LOCAL REPRESENTATION IN SENIOR MANAGEMENT IN SIGNIFICANT LOCATIONS %**				
Norway		86,4%	91,3%	

** Please refer to the 2021 sustainability report for numbers before the company split.*

*** Significant location = more than 50 employees, Senior management = Level 1-3, Local = citizenship in the country of work location*

Indicator	2023	2022	2021
NUMBER OF NATIONALITIES REPRESENTED BY CATEGORY			
Offshore	25	16	11
Onshore	8	7	6
LOCAL STAFF REPRESENTED BASED ON NATIONALITY IN EACH LOCATION %			
UK	100%	100%	100%
Norway	97.40%	97%	97%
Namibia	0%	0%	0%
UAE	0%	0%	0%
NUMBER OF PERMANENT EMPLOYEES BY REGION			
Central/Western Europe	2	2	3
Middle East	2	2	2
Scandinavia	1,157	1,204	1,096
Africa	347	100	0
NUMBER OF TEMPORARY EMPLOYEES BY REGION*			
Central/Western Europe	0	0	0
Eastern Europe	0	0	0
Scandinavia	55	50	34

** Temporary contracts: employees working temporarily for the Group, or employees with a permanent employment in the Group, but seconded to another Group company temporarily.*

Indicator	2023	2022	2021
NUMBER OF KEY EMPLOYEES ENROLLED IN LEADERSHIP TRAINING*			
Onshore	12	0	36
Offshore	16	145	263
Total	28	145	299
COMPLETED DEVELOPMENT REVIEWS PER CATEGORY %**			
Offshore female	48%	50%	37%
Offshore male	48%	30%	46%
Onshore female	27%	25%	10%
Onshore male	26%	17%	10%

** The Group concluded a 3-year leadership training program 2020-2022 for offshore managers, including the topics "Ethics" and "Use of power" in leadership. Our leadership training strategy has reached 530 leaders in the 3-year period.*

*** Development talk completions are adjusted to reflect post split of the Company*

Indicator	2023		2022		2021	
	Total	Average	Total	Average	Total	Average
NUMBER OF REQUIRED TRAINING HOURS*						
Offshore female	673	20	807	31	916	19
Offshore male	24,110	17	31,500	26	25,218	12
Onshore female	280	11	126	2	795	3
Onshore male	668	7	506	6	2,255	4
Total workforce	25,732	16	32,939	24	29,184	11
NUMBER OF SELF DEVELOPMENT HOURS **						
Total workforce	1,014	0.6	1,140	1	1,912	0.7
NUMBER OF OIM LEADERSHIP TRAINING HOURS						
Total workforce	1,280	80				

** Number of required training hours in 2022 reflects the split of the company and increase related to operation of new rigs and new locations.*

*** Number of Self development hours 2022 are total hours by active users post split of the company*

Indicator	2023	2022
TOTAL OF NEW EMPLOYEES	**173**	**137**
NUMBER OF NEW EMPLOYEES BY REGION		
Scandinavia	50	105
Africa	122	31
United Kingdom	0	1
Central/Western Europe	1	0
NUMBER OF NEW EMPLOYEES BY GENDER		
Female	8	12
Male	165	125
NUMBER OF NEW EMPLOYEES BY AGE GROUP		
0-19	14	18
20-29	28	30
30-39	46	52
40-49	45	25
50-59	35	11
60-69	5	1

** Please refer to the 2021 sustainability report for numbers before the company split.*

6. Performance evaluation: Governance and Ethics

Indicator		2023	2022	2021*
AGE DISTRIBUTION ONSHORE %				
Under 30		11.50%	17.10%	5%
30-50		61%	61.10%	46%
over 50		27.60%	21.90%	49%
AGE DISTRIBUTION OFFSHORE %				
Under 30		14%	8.70%	16%
30-50		56.60%	54.80%	61%
Over 50		29.40%	36.50%	23%
AGE DISTRIBUTION BY GOVERNANCE BODY %				
Under 30	Board of Directors	0%	0%	0%
	CEO & GM (Level 1)	0%	0%	0%
	Executive Management (Level 2)	0%	0%	0%
	Business Area Management (Vice Presidents - Level 3)	0%	0%	0%
30-50	Board of Directors	0%	0%	0%
	CEO & GM (Level 1)	0%	0%	0%
	Executive Management (Level 2)	30%	30%	18%
	Business Area Management (Vice Presidents - Level 3)	58%	55%	61%
Over 50	Board of Directors	100%	100%	100%
	CEO & GM (Level 1)	100%	100%	100%
	Executive Management (Level 2)	70%	70%	82%
	Business Area Management (Vice Presidents - Level 3)	42%	45%	39%

Code of Business conduct and anti-corruption

An updated COBC course, which is mandatory to all employees, was launched on 1 December 2021. The 2022 number includes all employees who have taken the updated COBC course from December 2021. The 2021 number include Odfjell Technology employees.

From 2023 the COBC training is mandatory only for new permanent employees. All employees are required to confirm that they have read, understood and complied with the COBC annually. Onshore employees in Odfjell Drilling completed a refresh course about conflict of interests in 2023. Internal awareness sessions are mainly related to Odfjell Drilling's operation

No significant risks related to corruption were identified in the Group's operations in 2023 based on integrity due diligence performed. One potential supplier was not approved due to suspicion of non-compliance with our COBC.

Indicator	2023	2022	2021
NUMBER OF EMPLOYEES WHO HAVE UNDERGONE ANTI-CORRUPTION TRAINING			
E-learning COBC	128	1,178	1,716
Refresh course – conflict of interests	113	N/A	N/A
Awareness sessions/work shops	36	35	20
EMPLOYEES CONFIRMED COMPLIANCE WITH COBC PER REGION %*			
Norway	73%	86%	
UK	100%	50%	
Malta	100%	N/A	
Namibia	78%	N/A	
NUMBER OF ANTI-CORRUPTION ASSESSMENTS OF HIGH RISK SUPPLIERS/THIRD PARTIES**			
Internal	6	3	5
External	2	1	0
Total anti-corruption assessments of high risk suppliers/third parties	8	4	5
REPORTED CASES			
Whistleblowing portal	2	1	5
Other Channels	0	0	0

** Malta and Namibia are new locations from 2022. Confirming compliance is first relevant after completing the E-learning COBC and therefore not relevant for 2021.*

*** "Internal" assessments are carried out by Group personnel, and "external" assessments using external consultants**

For more information visit

www.odfjelldrilling.com

odfjell drilling

Design & Production: POMELO-PARADIGM