



**ODFJELL DRILLING**



**Q1 2020 Presentation**

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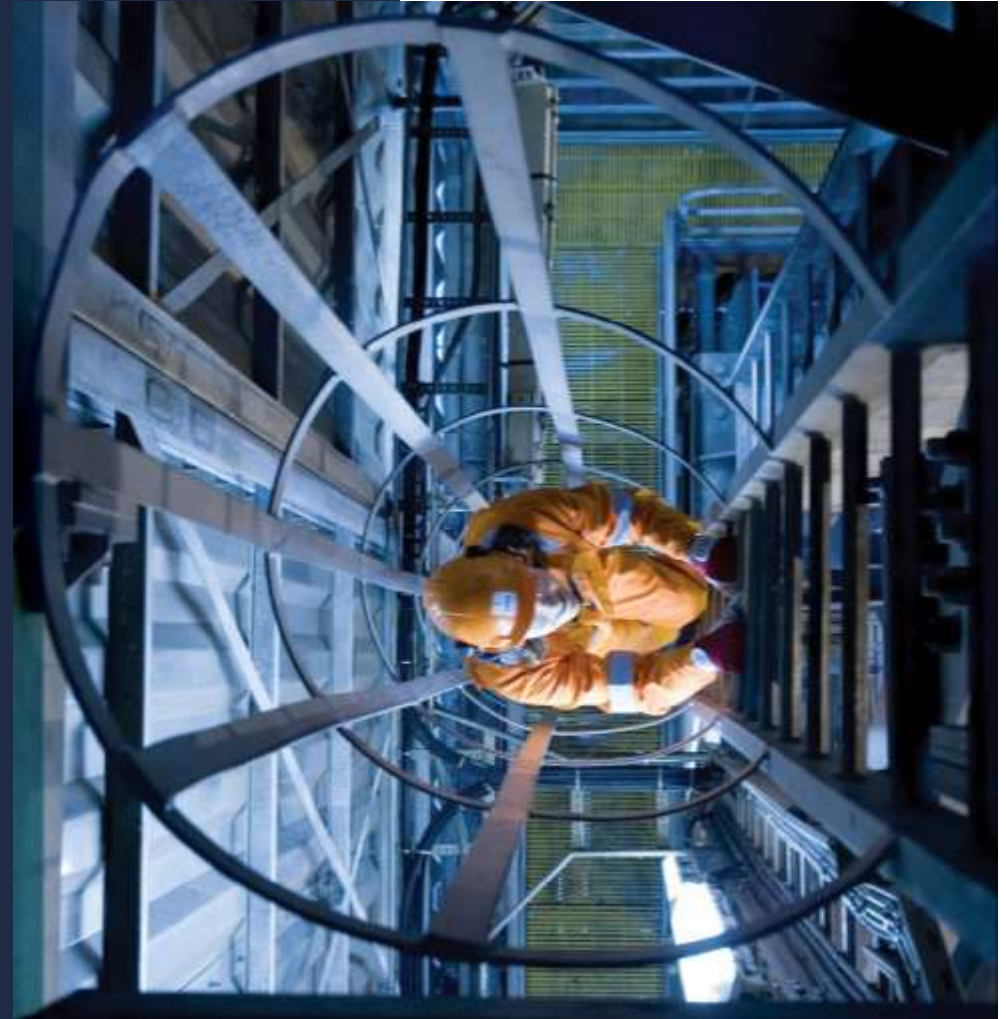
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# Introduction



Odfjell Drilling is a listed international drilling, well service and engineering company with 2,500 employees and operations in more than 20 countries.

## Key Financials Q1 2020

**\$ 197 Mill**  
Revenue

**\$ 174 Mill**  
Cash

**\$ 82 Mill**  
EBITDA

**3.75x**  
Leverage ratio (adj)

**\$ 2.2 Bill**  
Backlog

**40 %**  
Equity ratio

## Our Businesses

### Mobile drilling units



- ✓ 6th generation high spec and efficient harsh environment units

### Well services



- ✓ Tubular running
- ✓ Rental services
- ✓ Well intervention
- ✓ Wired drillpipe

### Platform drilling



- ✓ Platform drilling operations on NCS/UKCS

&

### Technology



- ✓ Fully integrated drilling engineering & inspection services



# Q1 20 - key summary

- **COVID-19 outbreak limited impact on operations and financial result in Q1 2020**
- **Negative shift in oil price has reduced spending budgets from E&Ps**
- **ODL protected by backlog for its 6 gen harsh environment fleet to 2021/2022**
- **Successful SPS completed on time and budget for Deepsea Aberdeen**
- **Continued strong performance across the MODU fleet**
- **Drilling & Technology and Well Services with solid performances despite challenging environment**



# Mobile Offshore drilling Units (MODU)

## - Continued strong operations







### Q1 2020 Financial Utilization

<b>Financial Utilization<sup>1</sup></b>	<b>Q1 20</b>	<b>Q1 19</b>	<b>FY 19</b>
Deepsea Stavanger	98,6 %	99,9 %	98,7 %
Deepsea Atlantic	99,1 %	96,8 %	97,8 %
Deepsea Bergen	92,7 %	98,6 %	97,3 %
Deepsea Aberdeen	74,8 %	97,8 %	97,2 %
Deepsea Nordkapp	97,9 %	n/a	98,0 %

- 1) 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 Utilization, by definition, does not take into account periods of non-utilisation when the units are not under contract.

# Mobile Offshore drilling Units (MODU)

## - Contract status and day rates

Drilling unit	Year built	Location /operator	Day rate (KUSD/day)*	Contract status and day rates					
 Deepsea Bergen (3G, MW, HE)	1983	Norway MOL	180	2019	2020	2021	2022	2023	2024
 Deepsea Atlantic (6G, UDW, HE)	2009	Norway Equinor	296/339	2019	2020	2021	2022	2023	2024
 Deepsea Stavanger (6G, UDW, HE)	2010	Norway/ South Africa Aker BP/ Total	279/438	2019	2020	2021	2022	2023	2024
 Deepsea Aberdeen (6G, UDW, HE)	2014	UK BP Exploration	431	2019	2020	2021	2022	2023	2024
 Deepsea Nordkapp (6G, DW, HE)	2019	Norway Aker BP	300/328/350	2019	2020	2021	2022	2023	2024
 Deepsea Yantai (6G, MW, HE)	2019	Norway Neptun	Managed unit	2019	2020	2021	2022	2023	2024

Contract
  Option
  Continued optionality under frame agreement
  Contract Preparations/ Mobilization

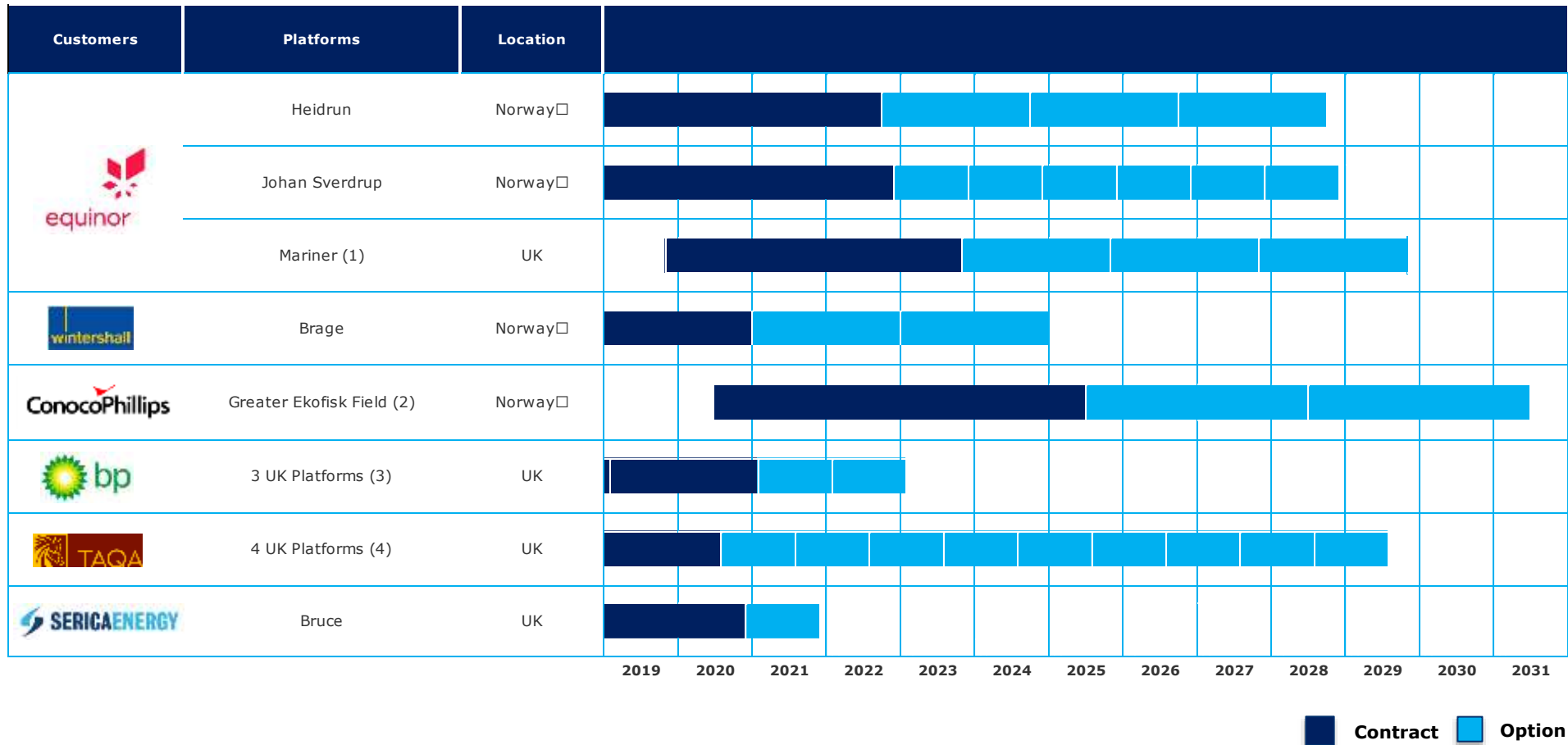
**Firm MODU contract backlog at 31 March 2020 of USD 0.8 billion with additional priced options valued at USD 0.1 billion\*\***

\* Rates may include mix of currencies and fluctuate based on exchange rates.

\*\* The backlog does not include management revenue from Deepsea Yantai

# Platform Drilling and Technology

## - Portfolio secured by medium to long-term contracts



**Firm contract backlog of USD 0.3 billion at 31 March 2020**  
**Value of priced optional periods of USD 0.9 billion**

- 1) Please note that the Mariner contract contains the option to operate the Bressay field
- 2) Eldfisk B, Ekofisk K, Ekofisk X
- 3) Clair, Andrew, Clair Ridge
- 4) Harding, Tern Alpha, Cormorant Alpha, North Cormorant



# Well Services

## - global presence and diversified services

### Product lines

#### Tubular Running Services



- Conventional and remote-operated casing running tools
- Casing/tubing running and recovery for all sizes up to 42"
- Top drive casing running
- Integrated TRS

#### Casing While Drilling



- Casing While Drilling
- ECI retrievable CWD system
- Advanced casing deployment tools
- REACH – High torque reamers
- DEFUSE – High speed reamers

#### Well Intervention Services



- Wellbore clean-up tools and services
- Casing exits
- Fishing services
- Well abandonment
- Slot recoveries

#### Drill Tool Rental Services



- Drilling tools rentals including wired drill pipe, drill pipe, drill collars, HWDP, tubing, collars, handling tools, stabilisers, hole openers, roller reamers, non mags, jars & shock tools, subs and valves

### Odfjell Well Services in numbers

Experience  
**35+**  
years experience

Services from  
**14+**  
bases

**500+**  
employees

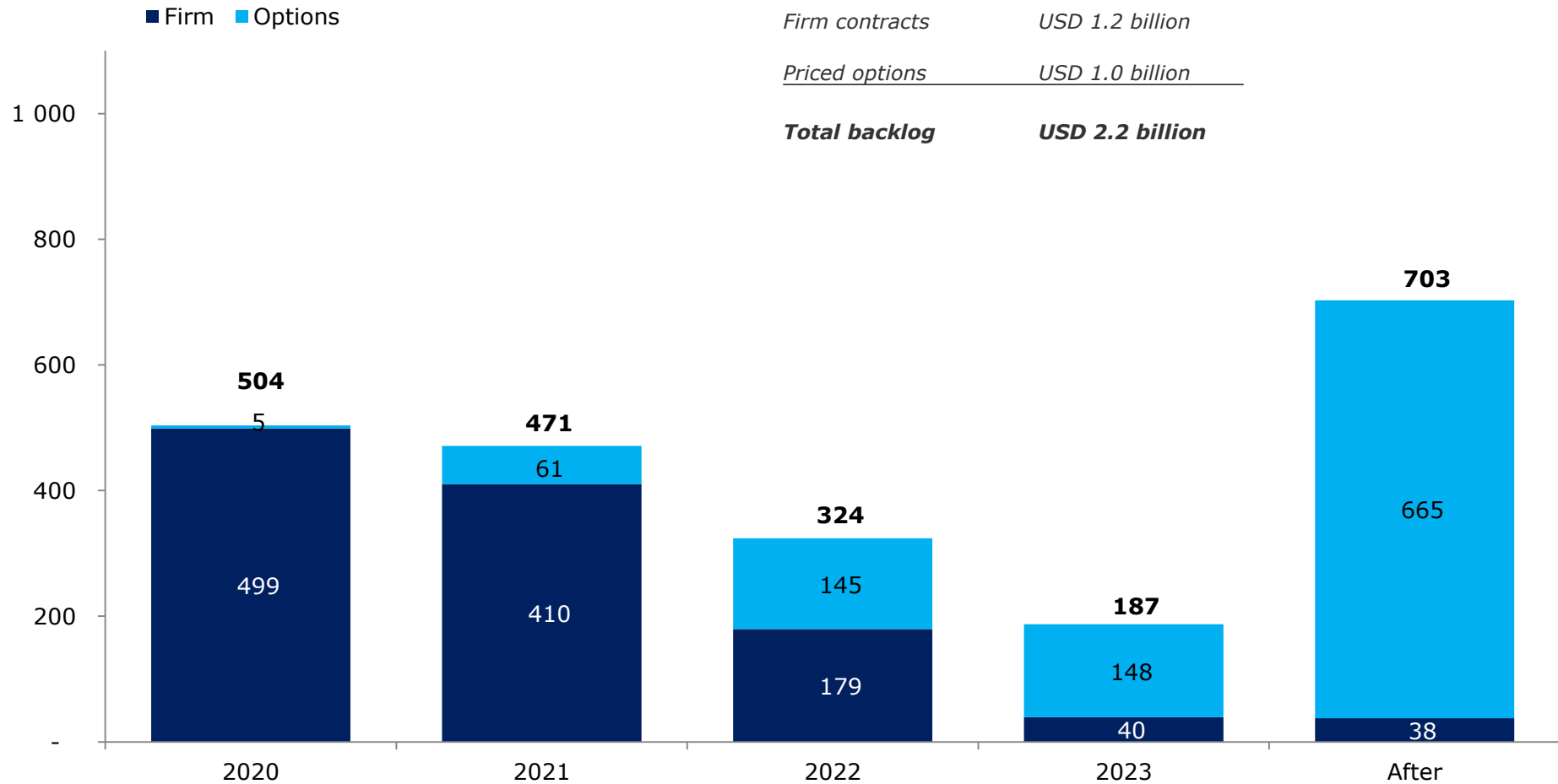
Operations in  
**20+**  
countries



**ODFJELL DRILLING**  
- for Decades

# Earnings visibility through USD 2.2 billion order backlog

## Total revenue backlog per year<sup>1</sup>



1) Estimates at 31 March 2020. Revenue from frame agreements and call-off contracts in Well Services and revenue from Technology and MODU Management is not included in the backlog.

# Market outlook

## General

- COVID 19 outbreak and negative shift in oil price create large uncertainties
- E&P companies will monitor the market closely and adjust their activities accordingly  
=> **Decreasing E&P activity due to overall uncertainty**

## MODU

- Significant oversupply in the global rig market
- Harsh environment markets are closer to supply/demand balance
- Present dayrate level does not support any newbuild activity based on expected capital return for the short to medium term
- Preference by E&P companies for high-spec and efficient 6 gen units
- Scrapping of mature units will continue  
=> **Continued strong demand for ODL fleet, however we expect some reduction in demand and dayrates**

## Well Services

- Still over-supply of available resources and equipment
- Observe an increased tender activity in the European and Middle East markets
- Well Services has increased their activity the last 6-12 months, but outlook is uncertain due to the global challenges  
=> **Current market turbulence is expected to impact the demand in the short to medium term**

## Platform Drilling & Technology

- Low volatility in the platform drilling market
- North Sea modification market still at low level  
=> **Stable market conditions and scale effects to be materialized**

# Financial information



# Group summary financials

## Condensed consolidated income statement

P&L - (USD million)	Q1 20	Q1 19	FY 19
<b>Operating revenue</b>	<b>197</b>	<b>201</b>	<b>823</b>
Other gains/losses	0	0	1
Personnel expenses	-78	-74	-328
Other operating expenses	-37	-55	-164
<b>EBITDA</b>	<b>82</b>	<b>73</b>	<b>332</b>
Depreciation	-49	-42	-185
<b>Operating profit (EBIT)</b>	<b>33</b>	<b>31</b>	<b>147</b>
Net financial items	-9	-20	-103
<b>Profit/(loss) before tax</b>	<b>24</b>	<b>11</b>	<b>44</b>
Income taxes	-2	-1	-3
<b>Profit/(loss) for the period</b>	<b>23</b>	<b>10</b>	<b>41</b>

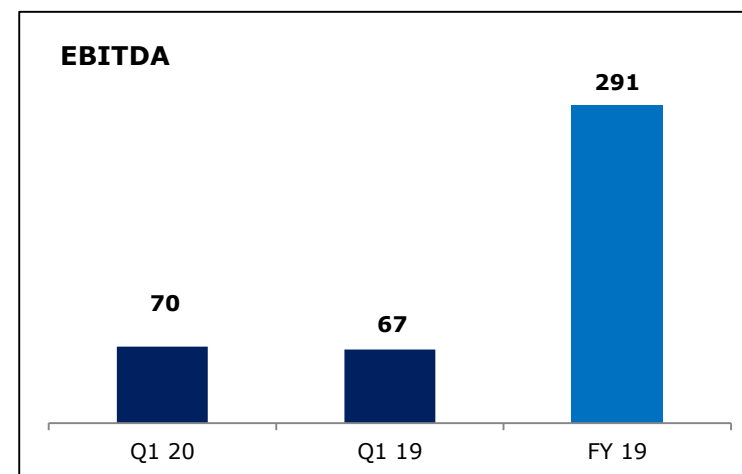
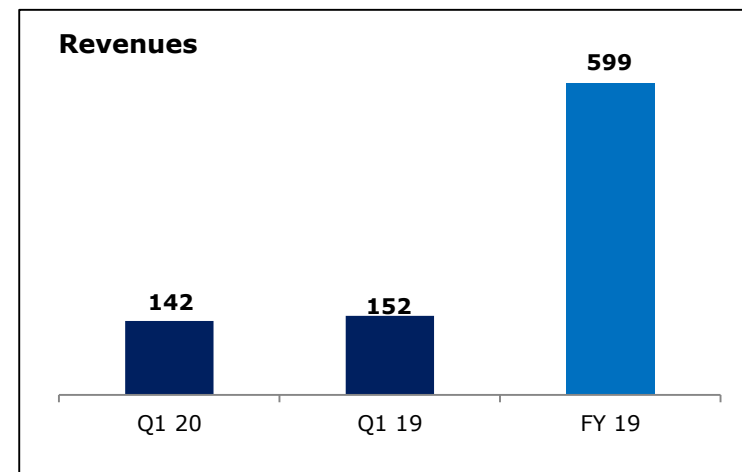
# Segment reporting - MODU financials

## MODU

Condensed P&L - (USD million)	Q1 20	Q1 19	FY 19
<b>Operating revenue</b>	<b>142</b>	<b>152</b>	<b>599</b>
<b>EBITDA</b>	<b>70</b>	<b>67</b>	<b>291</b>
Depreciation and impairments	-41	-34	-154
<b>EBIT</b>	<b>29</b>	<b>33</b>	<b>138</b>
Book value rigs	2 141	2 178	2 157
EBITDA-margin	49,3 %	44,4 %	48,6 %
EBIT-margin	20,6 %	22,0 %	23,0 %
Share of group revenue <sup>1</sup>	68,8 %	72,0 %	69,9 %
Share of group EBITDA <sup>1</sup>	85,9 %	90,5 %	85,5 %
Share of group EBIT <sup>1</sup>	84,0 %	97,5 %	83,9 %

1) Before group eliminations and corporate overheads

## Key Financials (USD million)



As of 1 January 2020 the internal reporting of the segments is prepared according to IFRS. Comparative figures are adjusted accordingly.

# Segment reporting

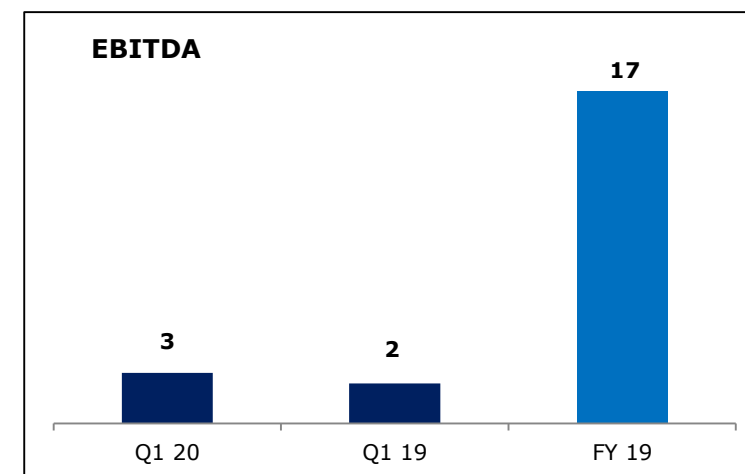
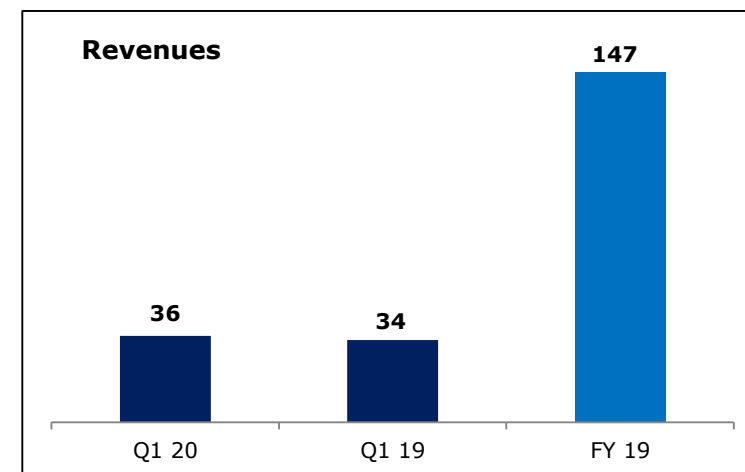
## - Drilling & Technology financials

### Drilling & Technology

Condensed P&L - (USD million)	Q1 20	Q1 19	FY 19
<b>Operating revenue</b>	<b>36</b>	<b>34</b>	<b>147</b>
<b>EBITDA</b>	<b>3</b>	<b>2</b>	<b>17</b>
Depreciation and impairments	-0	-0	-0
<b>EBIT</b>	<b>3</b>	<b>2</b>	<b>17</b>
EBITDA-margin	7,3 %	6,1 %	11,9 %
EBIT-margin	7,3 %	6,1 %	11,8 %
Share of group revenue <sup>1</sup>	17,5 %	16,3 %	17,1 %
Share of group EBITDA <sup>1</sup>	3,3 %	2,8 %	5,1 %
Share of group EBIT <sup>1</sup>	7,5 %	6,1 %	10,5 %

1) Before group eliminations and corporate overheads

### Key Financials (USD million)



As of 1 January 2020 the internal reporting of the segments is prepared according to IFRS. Comparative figures are adjusted accordingly.

# Segment reporting

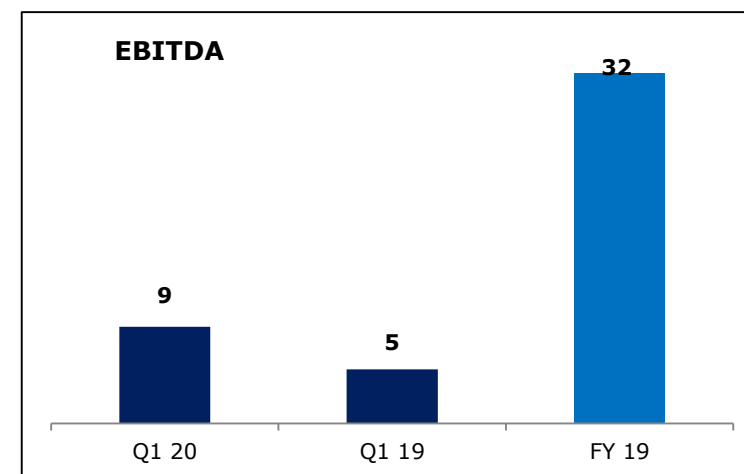
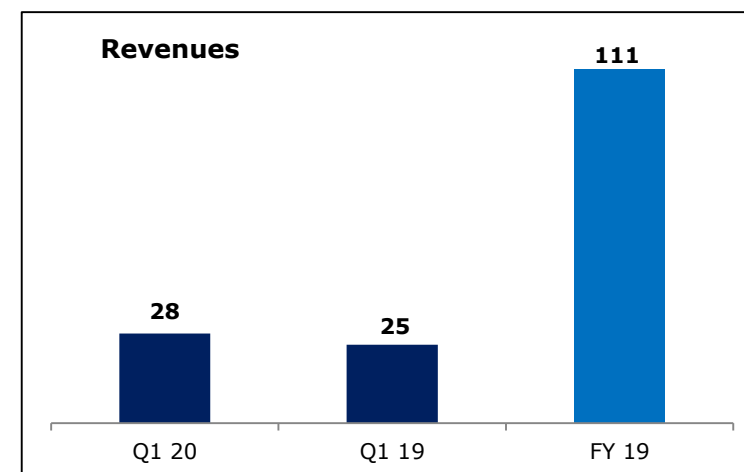
## - Well Services financials

### Well Services

Condensed P&L - (USD million)	Q1 20	Q1 19	FY 19
<b>Operating revenue</b>	<b>28</b>	<b>25</b>	<b>111</b>
<b>EBITDA</b>	<b>9</b>	<b>5</b>	<b>32</b>
Depreciation and impairments	-6	-6	-23
<b>EBIT</b>	<b>3</b>	<b>-1</b>	<b>9</b>
Book value of equipment	75	68	74
Cost price for equipment in use	363	353	365
EBITDA-margin	31,3 %	20,1 %	28,9 %
EBIT-margin	10,4 %	-4,9 %	8,2 %
Share of group revenue <sup>1</sup>	13,7 %	11,7 %	13,0 %
Share of group EBITDA <sup>1</sup>	10,8 %	6,7 %	9,4 %
Share of group EBIT <sup>1</sup>	8,4 %	-3,5 %	5,5 %

1) Before group eliminations and corporate overheads

### Key Financials (USD million)



As of 1 January 2020 the internal reporting of the segments is prepared according to IFRS. Comparative figures are adjusted accordingly.



# Group

## - eliminations, corporate overhead & net financial items

### Group – eliminations, corporate overhead & net financial items

<b>(USD million)</b>	<b>Q1 20</b>	<b>Q1 19</b>	<b>FY 19</b>
EBIT - MODU	29	33	138
EBIT - Drilling & Technology	3	2	17
EBIT - Well Services	3	-1	9
<b>EBIT for reportable segments</b>	<b>35</b>	<b>34</b>	<b>164</b>
Eliminations/corporate	-2	-4	-18
<b>Group EBIT</b>	<b>33</b>	<b>31</b>	<b>147</b>
Net financial items	-9	-20	-103
<b>Group profit before tax - Consolidated Group</b>	<b>24</b>	<b>11</b>	<b>44</b>

# Summary statement of financial position

## Group statement of financial position

<b>Assets (USDm)</b>	<b>31.03.20</b>	<b>31.03.19</b>	<b>31.12.19</b>	<b>Equity and liabilities (USDm)</b>	<b>31.03.20</b>	<b>31.03.19</b>	<b>31.12.19</b>
Deferred tax asset	1	1	1	Total paid-in capital	565	565	565
Intangible assets	25	30	30	Other equity	483	470	497
Property, plant and equipment	2 257	2 292	2 281	<b>Total equity</b>	<b>1 048</b>	<b>1 035</b>	<b>1 062</b>
Financial fixed assets	0	0	2	Non-current interest-bearing borrowings	1 179	648	1 174
<b>Total non-current assets</b>	<b>2 283</b>	<b>2 324</b>	<b>2 313</b>	Non-current lease liabilities	32	37	39
Trade receivables	158	141	174	Post-employment benefits	5	10	8
Contract assets	8	-	9	Non-current contract liabilities	2	1	2
Other current assets	31	18	20	Other non-current liabilities	12		10
Cash and cash equivalents	174	191	170	<b>Total non-current liabilities</b>	<b>1 230</b>	<b>695</b>	<b>1 232</b>
<b>Total current assets</b>	<b>371</b>	<b>350</b>	<b>373</b>	Current interest-bearing borrowings	210	794	217
<b>Total assets</b>	<b>2 654</b>	<b>2 674</b>	<b>2 686</b>	Current lease liabilities	7	8	8
				Contract liabilities	36	22	39
				Trade payables	57	52	46
				Other current liabilities	66	67	83
				<b>Total current liabilities</b>	<b>376</b>	<b>944</b>	<b>392</b>
				<b>Total liabilities</b>	<b>1 605</b>	<b>1 639</b>	<b>1 624</b>
				<b>Total equity and liabilities</b>	<b>2 654</b>	<b>2 674</b>	<b>2 686</b>

- Group's gross interest bearing debt was USD 1,390 million (net of capitalized financing fees) at 31 March 2020.
- USD 174 million in cash and cash equivalents at 31 March 2020.
- Equity-ratio of 40% at 31 March 2020.

# Summary statement of cash flow

## Group statement of cash flow

Cash Flow - (USDm)	Q1 20	Q1 19	FY 19
<b>Profit before income tax</b>	<b>24</b>	<b>11</b>	<b>44</b>
Adjustment for provisions and other non-cash	44	64	282
Change in working capital	-7	-23	-47
<b>Cash from operations</b>	<b>62</b>	<b>52</b>	<b>279</b>
Interest paid	-18	-15	-78
Income tax paid	-1	-1	-3
<b>Net cash from operations</b>	<b>43</b>	<b>36</b>	<b>198</b>
Purchase of property, plant and equipment	-24	-311	-426
Other cash flows from investment activities	1	0	-3
<b>Net cash used in investing activities</b>	<b>-23</b>	<b>-311</b>	<b>-428</b>
Net change in debt	-3	296	241
Other financing	-1	-2	-10
<b>Net cash from financing activities</b>	<b>-5</b>	<b>294</b>	<b>231</b>
<b>Net change in cash and cash equivalents</b>	<b>16</b>	<b>20</b>	<b>1</b>
Cash and cash equivalents at period start	170	175	175
FX gains/(losses) on cash and cash equivalent	-11	-3	-6
<b>Cash and cash equivalents at period end</b>	<b>174</b>	<b>191</b>	<b>170</b>

# Summary Q1 2020

## **MODU:**

- Attractive harsh environment assets, strong backlog and healthy outlook despite the COVID-19 and negative shift in oil price

## **Drilling & Technology:**

- Solid operations combined with healthy financial results
- Preparing to commence operations with ConocoPhillips on Ekofisk in Q3 2020

## **Well Services:**

- Continued strong activity although the service market has been affected by less demand due to COVID-19/oil price turbulence

## **Key Financials:**

- Earnings visibility through USD 2.2 billion order backlog
- Sound cash position
- Strong balance sheet combined with continued de-leveraging
- No short term refinancing requirement



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**Next event:**

Q2 2020 results tentatively scheduled to be published 27 August 2020

For more information see: [www.odfjelldrilling.com](http://www.odfjelldrilling.com)



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- for Decades