Annual Report 2020

RESILIENCE FOR THE FUTURE

ODFJELL DRILLING

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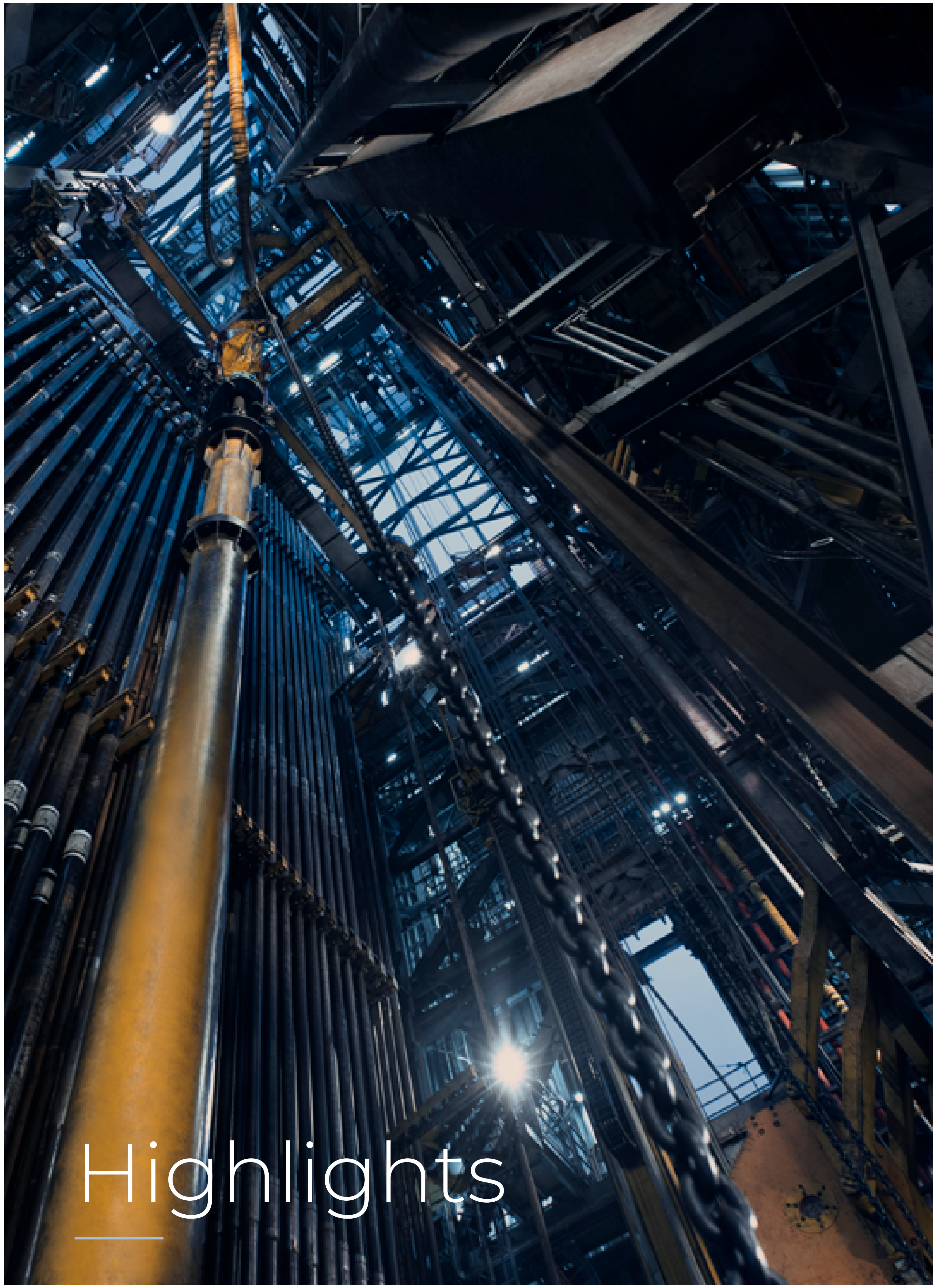


Highlights

2020 Highlights

930
Revenue (million USD)

2.3
Backlog (billion USD)

2.5x
Leverage ratio (adj)

MODU

5 Rigs

6th generation high specification, efficient and harsh environment rigs

WELL SERVICES

Tubular running, rental services, well intervention, wired drillpipe, casing drilling

EMPLOYEES

2,628

Employees
(as at 31. December 2020)

ENERGY

15

Fixed platforms on the NCS/ UKCS, fully integrated drilling, engineering & inspection services

The first battery and hybrid solution installed on Deepsea Atlantic

420
EBITDA (million USD)

207
Cash (million USD)

45%
Equity ratio

Highlights

CEO Letter

Simen Lieungh, CEO

Entering into a new decade usually brings optimism for the future and the start of a new chapter. However, at the beginning of 2020 we quickly saw the global community and parts of the industry come to a near standstill as a result of the global health crisis coupled with a sudden sharp drop in the oil price. Our resilience was put to the test as we were exposed to challenges unlike anything we have seen previously.

As 2020 progressed, our ability to quickly adapt to external conditions enabled us to carry on our operations safely, whilst simultaneously building our contract portfolio in all our business areas. I am pleased to say that our company has performed well. Odfjell Drilling has secured more order backlog, and maintained a strong, competent, loyal, motivated and resilient workforce. That is the key behind our success. Our target is to be the preferred supplier for our clients, and to do this we are reliant on our robust culture.

The safety and security of our people is at the heart of our operations and will always remain our top priority. Odfjell Drilling has a “zero injuries and failures” ambition, and although we did not have any serious incidents, we had one high potential incident. In Odfjell Drilling, our belief is that all accidents and incidents are preventable, and this requires continuous hard work and focus. We recognise that after a long period of working from home, taking care of our employees has taken on another dimension. Throughout 2020, I have held more frequent virtual town halls to address the ongoing situation and to ensure that our employees feel informed and included. We have also put mental health as an important part of our human factor awareness focus in our QHSE programme for 2021. I will make sure that we work towards our “zero injuries and failures” ambition by ensuring that safety always takes precedence. There is no room for complacency.

With a global pandemic, there was a chance that the sustainability focus we saw escalate during 2019 would be over shadowed. However, the pandemic reinforced the need to pay even greater attention to the world in which we live to avoid a different sort of global crisis.

Odfjell Drilling recognises that we need to do our part, and this is reflected in the commitments made in our sustainability strategy.

By 2026, Odfjell Drilling has the ambition of reducing our carbon emissions by 40%, 70% by 2035 and becoming a net zero emission company by the year 2050.

We intend to be part of the solution, by harnessing our near five decades of competence with the technology of tomorrow. Our rigs are the major driver behind the emission reduction targets, and the baseline is each rig’s operations without any energy efficiency measures. From there, we have set out four roads to net zero emissions, and are evaluating new solutions within battery and hybrid technology, alternative fuels, land power and carbon capture.

In October, we renamed two of our business areas. Platform Drilling and Technology became Odfjell Energy, signifying a step towards our broader ambition to meet a changing energy market. This is still in an early phase, but I am excited to progress and diversify our business in this direction.

Odfjell Drilling has ambitious targets to increase our contract portfolio and I am proud that we have managed to deliver on this. We have continued to increase our competitiveness through operational performance and efficiency, where our ultimate objective is to create added value for our clients.

Our semi-submersible fleet has performed above expectations and we have built an impressive backlog whilst maintaining operational uptime of close to 99% percent on our owned rigs. Another significant achievement during the year was the successful completion of a demanding drilling campaign with Total in South Africa. This was completed under extremely harsh conditions made even more difficult by the logistical challenges. I am proud of how our people, yet again, rose to the challenge.

Odfjell Energy has delivered a strong commercial performance. In June, we started on our contract with ConocoPhillips on the Greater Ekofisk Area, delivering platform services. I am also pleased that our team on the Ekofisk X won the ConocoPhillips 2020 Safety Award.

Our Well Services division is a global business and our international reach meant that we were especially vulnerable to the impact of Covid-19. Despite this, Well Services has delivered good results throughout 2020. The North Sea, UK and Norway, in particular, maintained a high level of activity. Through the addition of two new projects; the Clair Ridge platform for BP and the Mariner project for Equinor, we have strengthened our integrated execution with Energy at the same time.

In a market where the majority of demand is for modern and digitalized rigs, the decision was taken to retire and recycle our old lady, Deepsea Bergen. With an astonishing track record of completing 206 wells over 37 years, she served us well.

Odfjell Drilling has delivered better than expected in 2020 within all our business areas, particularly given the market difficulties. This is in part due to our focus on cost control and our drive for continuous improvement. I would like to take the opportunity to thank all our employees, suppliers and clients for their continued contribution. I believe the “one team” approach, enabled through close collaboration across the value chain, has been a differentiator for the Group's resilience over the last 12 months. Our ambition is to build on this resilience to further strengthen our company for the future.

Ambitions

In Odfjell Drilling we set our sights high. Our goal is to be a preferred supplier, chosen for our experience and expertise, differentiated by our exceptional team. We strive to be the best that we can be and believe that we can do this by sustaining excellent long-term client relationships, delivering superior and robust operational performance and strengthening our competitive edge with expertise and skills in new solutions and innovations.

Our strategy is to ensure that our Mobile Offshore Drilling Units ("MODU") are attractive, reliable and equipped with the best specifications to tackle the harsh environments in which they operate. We challenge boundaries through continuous improvement with a focus on synergies and standardisation combined with innovation. Our ultra-modern floating rigs allow us the opportunity to provide a unique and differentiated service offering.

Odfjell Drilling plans to diversify and expand, particularly within Odfjell Energy and Well Services. We aim to expand into new product lines and services, develop commercially attractive solutions and strengthen our integrated services. We have started to explore opportunities within renewables and in particular, we are focusing on transferring our expertise to new segments such as offshore wind.

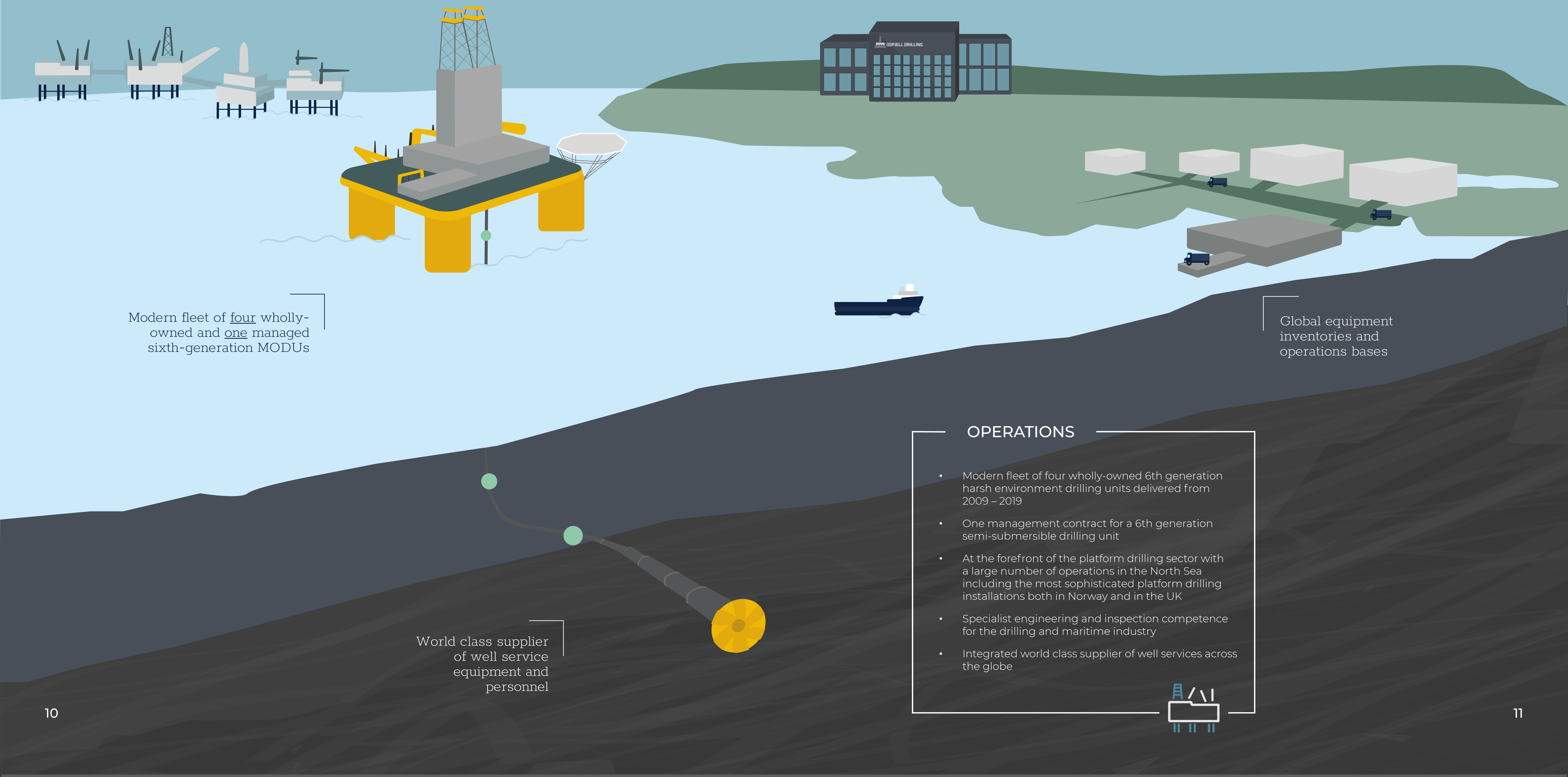
Odfjell Drilling has proved to be resilient through many challenges over the last few years. Our ability to emerge from these challenges in a robust manner is largely due to our focus on building a commercially sustainable contract portfolio consisting of medium to long-term contracts. One of the key ambitions for Odfjell Drilling is to ensure business predictability and thereby financial flexibility into the future.

Our ambition within “People & Safety” is to ensure we achieve the highest safety standard, and protect our people’s health and well-being. Our visualisation for the future of Odfjell Drilling would not be possible without disciplined focus on our zero incident and failures objective. We are a people business and the safety of our people will always remain at the core of what we do.

Odfjell Drilling has a long-term objective to be industry leading in environmental performance. We have an overall ambition to reduce our carbon emissions by 40% by 2026, 70% by 2035 and to be a net zero emission company by 2050. Our Sustainability Report provides more detail on our progress in this area.

Our Business

Odfjell Drilling at a glance



OPERATIONS

- Modern fleet of four wholly-owned 6th generation harsh environment drilling units delivered from 2009 – 2019
- One management contract for a 6th generation semi-submersible drilling unit
- At the forefront of the platform drilling sector with a large number of operations in the North Sea including the most sophisticated platform drilling installations both in Norway and in the UK
- Specialist engineering and inspection competence for the drilling and maritime industry
- Integrated world class supplier of well services across the globe

Worldwide Experience

Countries where we provide services

Places where we have an office or base

COMPANY

- More than 45 years of experience from worldwide drilling and well service operations
- Continued investment in the latest and best technological solutions
- Ambitious development program for zero emission drilling services
- Multiple revenue sources from complementary business areas
- Our main clients are publically and state owned international and national oil companies within the oil gas sector

PEOPLE

- 2,628 employees
- Odfjell Drilling is a people business - we search for, invest in and retain people of the highest quality and competence. Our people are motivated and ambitious to deliver the best standards and services
- Highly specialised engineers supporting all business areas.
- Highly specialised and competent offshore workforce
- Expansive management training on various levels

For more information on social matters see our Sustainability Report which is available on our website, ***www.odfjelldrilling.com***

ETHICS & QUALITY

- Odfjell Drilling is committed to following the Code of Business Conduct which ensures that our operations, corporate governance and employees adhere to the highest standards
- Our vision is to be “chosen for experience and expertise”
- Odfjell Drilling's vision is supported by our five core corporate values: committed, safety conscious, creative, competent and result oriented
- The Group vision and core values are our foundation in making sure we employ the right people for the right job at the right time
- Odfjell Drilling recognises the importance of diversity as an added value to all of our business activities, and does not discriminate against employees on any grounds

SUPPLY CHAIN

- Global and fully integrated part of the operations
- 5,800 suppliers on the Approved Vendor List (AVL)
- Centrally led standardised processes and policies
- Supplier qualification and quality systems
- Global logistics and inventory management

STRUCTURE

- Odfjell Drilling Ltd is an exempted company, incorporated in Bermuda with registration number 37607 and has its registered address at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda
- Odfjell Drilling Ltd is tax resident in the UK and has its head office in Aberdeen, Scotland, UK where the General Manager and Corporate Secretary are based
- The Ordinary shares of Odfjell Drilling Ltd are listed on the Oslo Stock Exchange
- Organised into three main business segments: Mobile Offshore Drilling Units (MODU), Energy and Well Services
- Operational Management are primarily located in Bergen, UK and Dubai
- Our rigs are allocated to and operated via Dubai registered branches of their respective UK tax resident companies; the branches are headed by a Branch Manager located in Dubai

Mobile Offshore Drilling Units

Designed by experience, operated with expertise

Odfjell Drilling is approaching five decades of operational experience and know-how, and utilises its expertise to create the market's most technologically advanced fleet. In 2020, Odfjell Drilling took the decision to retire and recycle the 1983 Aker-H3 drilling unit Deepsea Bergen. Today, our fleet consists of 4 wholly owned state-of-the art sixth-generation Mobile Offshore Drilling Units (MODUs). Odfjell Drilling also manages and operates one other sixth-generation unit owned by CIMC Raffles.

Odfjell Drilling's vision for its MODUs is:

- to be the leading and preferred choice for providing safe, efficient, reliable and first class harsh environment MODU operations – delivering value and realising our clients' ambitions.
- to operate to the highest environmental and safety standards in the offshore oil and gas industry.

Becoming a net zero emission company - one well at a time

A safe operation is our number one priority. Operating safely and efficiently reduces time spent drilling for our clients, which has a positive environmental impact. By delivering energy efficient, world class drilling operations, we are contributing to our clients' zero carbon emission targets. Odfjell Drilling has also set its own ambitious objectives for the Group. By 2026, we are aiming to reduce our carbon emissions by 40%, 70% by 2035 and becoming a net zero emission company by the year 2050. We are simultaneously working on four alternative routes to providing net zero carbon emission drilling operations. These include evaluating new solutions within battery and hybrid technology, alternative fuels, land power and carbon capture.

As part of Odfjell Drilling's net zero emission strategy, we installed the first hybrid and flywheel solution on Deepsea Atlantic in 2020. Our goal is to install this technology on the entire rig fleet.

The combined effect of the hybrid and flywheel technology enables the rig to supply the peak energy requirements from a different source other than diesel during operations. This reduces energy demand, resulting in less fuel consumption, reduced Co_2 emissions and decreased generator maintenance, whilst increasing the overall efficiency of the drilling operations. This technology, together with energy efficiency procedures, is the main driver behind the emission reduction goal of 40% by 2026. It also forms the foundation for further energy saving initiatives and prepares the rigs for using alternative sources of power, whether this is zero emission fuel or electricity.

2020 Highlights

Throughout the year, Odfjell Drilling's harsh environment rigs have operated in some of the most demanding areas in the North Sea, West of Shetland and in the extreme environment in South Africa.

Despite the challenging market conditions, Odfjell Drilling has managed to secure several key new contracts and contract extensions during 2020, including:

- Deepsea Atlantic was awarded 7 additional wells with Equinor as part of the continued optionality mechanism under the overall Master Frame Agreement
- Deepsea Atlantic was awarded a long-term contract for drilling and completion of Johan Sverdrup Phase 2 with Equinor
- Deepsea Aberdeen was awarded 4 firm wells options with Wintershall Dea
- Deepsea Aberdeen was awarded a long-term drilling contract with Equinor on the Breidablikk development project. The contract is subject to Plan for Development and Operation (PDO) approval
- Deepsea Stavanger was awarded 5 firm wells contract with Aker BP
- Deepsea Yantai was awarded 5 additional wells with Neptune Energy
- Signed Master Frame Agreements with ConocoPhillips and Wintershall

Our Semi-Submersible Fleet

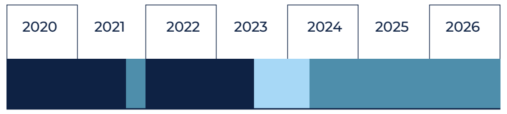
Deepsea Atlantic

6G, UDW, HE

Ownership: 100%

Year built: 2009

Location/Operator: Norway Equinor



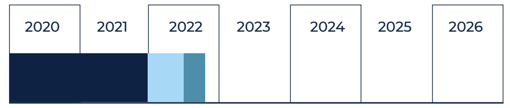
Deepsea Stavanger

6G, UDW, HE

Ownership: 100%

Year built: 2010

Location/Operator: Norway AkerBP / Lundin



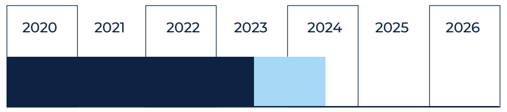
Deepsea Nordkapp

6G, DW, HE

Ownership: 100%

Year built: 2019

Location/Operator: Norway AkerBP



Deepsea Aberdeen

6G, UDW, HE

Ownership: 100%

Year built: 2014

Location/Operator: Norway BP / Wintershall / Equinor

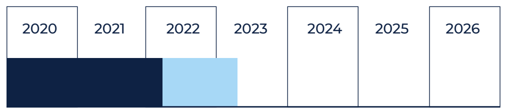
Deepsea Yantai

6G, MW, HE

Ownership: 0%

Year built: 2019

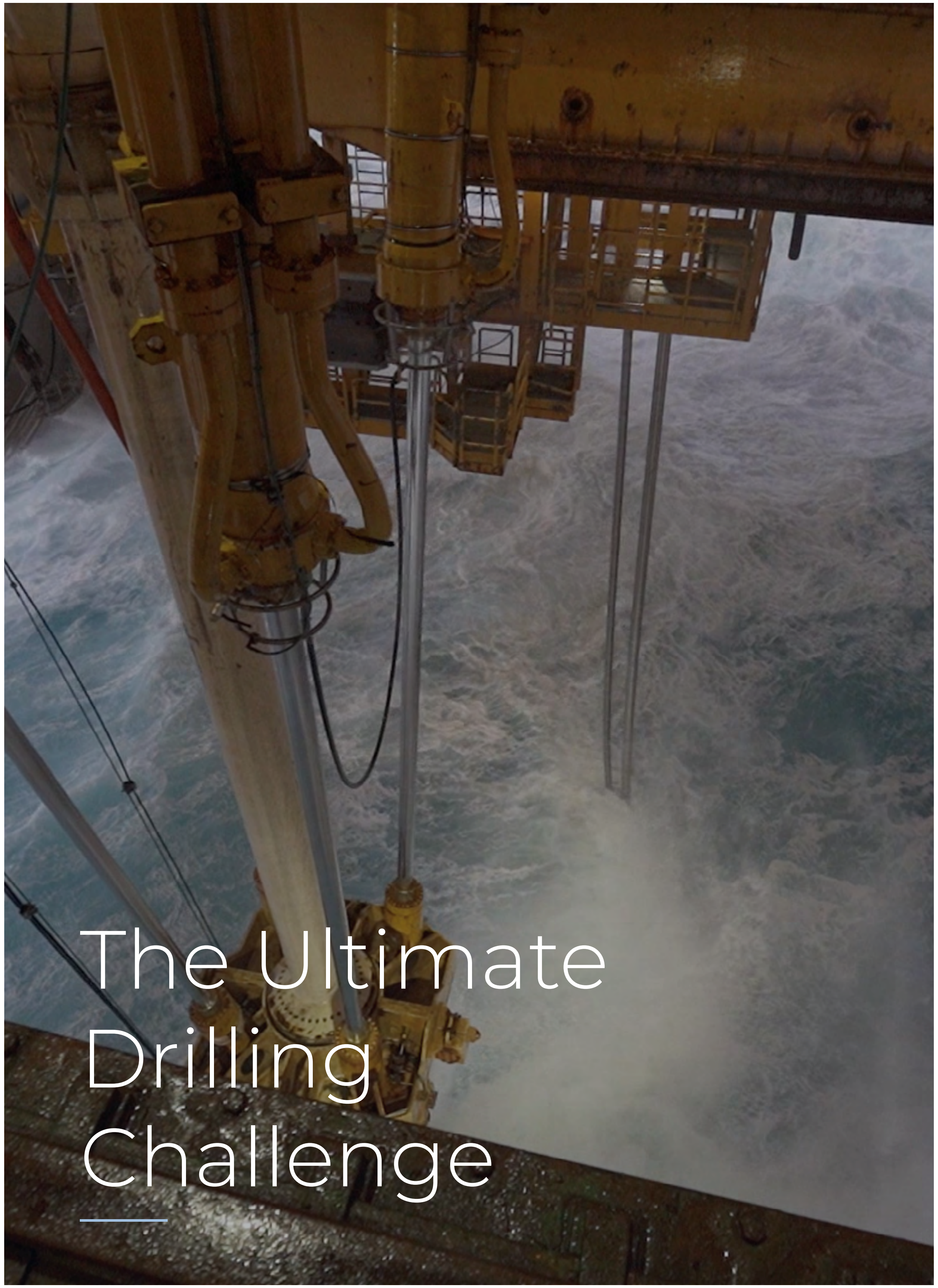
Location/Operator: Norway Neptune



- Contract
- Option
- Continued optionality under frame agreement

Other definitions:

6G: Sixth generation
MW: Mid water
DW: Deep water
UDW: Ultra deep water
HE: Harsh environment



The Ultimate Drilling Challenge

In November 2020, our drilling unit Deepsea Stavanger successfully completed the second ground-breaking drilling campaign with Total in South Africa on the exploratory well Luiperd 1-X. The challenging drilling project took place during the austral winter and spring season with its prevailing strong currents and difficult weather conditions. The technical complexities combined with the deep-water conditions required years of planning and preparations in advance. The well was delivered ahead of schedule with no operational incidents as a result of Odfjell Drilling's successful collaboration with Total and all of the sub-contractors, combined with the best people and equipment.

Prior to mobilising to South Africa, Deepsea Stavanger was dry docked to improve the hydrodynamic performance of the rig. The scope of work included cleaning of the hull, hull optimization and 1900 square metres of the structure on Deepsea Stavanger being repainted with antifouling paint. These improvements reduced fuel consumption and safeguarded smooth operations whilst drilling in extremely challenging conditions. Overall, the changes enabled a total energy saving of 5,543 metric tonnes of Co2 emissions, and a NOx saving of 65 metric tonnes.

The outbreak of the Covid-19 pandemic worldwide introduced yet another layer of complexity, which required additional preparation in order to safely execute the drilling campaign. Odfjell Drilling successfully established several measures in compliance with Norwegian and South African government requirements to ensure the safe mobilisation and demobilisation of crew members to prevent the spread of Covid-19.

The seemingly "impossible" campaign, drilling the well in the extreme conditions on the Luiperd 1-X location, required full focus and utilisation of the unique harsh environment experience from the Odfjell Drilling team. The well was located in the Agulhas current which could have up to 5 knots surface currents.

This, combined with weather conditions similar to the harshest conditions on the Norwegian and UK continental shelves, made the drilling campaign difficult to compare to any other project.

Understanding the weather and sea conditions, and cooperation across all disciplines were key factors in achieving a successful drilling campaign in such circumstances, thus repeating the success from the Brulpadda campaign in 2018. Combining a world class drilling unit with crews comprising of highly committed, competent and knowledgeable personnel, with extensive harsh environment operational experience, are what made the campaign such a success.

Kjetil Gjersdal, EVP MODU

"The 2020 Exploration Drilling campaign with Total represented the ultimate challenge in harsh environment offshore drilling and demanded the best of what Odfjell Drilling can offer. The successful outcome is a result of world class planning, engineering and execution, all coming together on one of our unique harsh environment rigs. We are extremely pleased to prove once again to our clients the capabilities and resilience of our organisation in this way."

Well Services

A World Class Supplier of Well Services

In 1982, Odfjell Drilling's Service and Rental division expanded to include tubular running services. The Casing Services department grew rapidly in the early years to become a major provider of tubular running, servicing contracts in Canadian, Dutch, British and Norwegian waters. The business evolved over the years, and today, Odfjell Well Services is a significant global player within the upstream oilfield service sector, providing tubular running, casing drilling, drilling tool rentals and well intervention services. Well Services employs skilled, highly qualified employees based all over the globe and places high importance on the development of local nationals.

Odfjell Well Services is positioned as a leading company in the front line of our industry and has a global presence with 12 operating bases servicing contracts in over 25 countries.

Odfjell Well Services provides equipment and services to a mix of major international operators, national operators and other oil, gas and geothermal clients within the North Sea (Norway, UK and the Netherlands), mainland Western and Eastern Europe, the Black Sea, the Caspian Sea, the Middle East, South East Asia and Africa.

Well Services' vision is to:

- be a truly international well service company providing world class customer service
- be the safest and most efficient provider of well services within our product lines
- meet the highest quality standards
- be the preferred partner for our internal and strategic external clients
- be an employer of choice, having competent and creative employees

Well Services is a highly differentiated service provider with an in-house engineering team, that designs new products and provides support to ongoing operations. We have a strong technology focus as well as a diversified portfolio of proprietary tools and equipment capable of operating in all major oil and gas regions worldwide, including harsh and ultra-deep-water environments. We continually monitor and strengthen customer relationships and track future developments, ensuring that we can proactively pursue any new potential opportunities. A high level of innovation and technology development is crucial to support both existing business activities and entry into new areas. Well Services is already a technology leader in the field of remote operated tubular running equipment and wellbore clean-up technologies.

The Covid-19 pandemic has significantly affected the Well Services division, predominately due to the geographical reach of the business and the need for the international movement of equipment and personnel across borders. 2020 has been challenging, demanding and unpredictable, but in managing through uncertain market conditions, Well Services has demonstrated a robustness and an ability to adapt and cope with adversity. The European and Norwegian markets have remained strong during 2020.

Well Services has suffered cancellations and the postponement of some contracts, particularly in the Middle East and South East Asia regions. The deflated oil price created pressure on most contractors and resulted in high competition for those contracts which were not cancelled or postponed. Careful management of the situation, with proactive adjustments and increased focus on customer service have been key factors in the resilience of the business during the year. Cost discipline, empowerment of employees and operational flexibility have facilitated our ability to navigate the Covid-19 storm.

In 2020, Well Services focused on working safely and delivering time, cost and carbon emission savings to its international client base in the face of adversity.

Despite extremely challenging market conditions, Well Services has made some noteworthy achievements during the year:

- Strong QHSE performance - 1 year without any Lost Time Incidents (LTIs). This is a testament to the commitment and resilience of our staff during these difficult times
- Secured the first ever contract for our new Directional Casing Drilling, Enhanced Casing Installation technology with Petrofac in Malaysia, with 8 wells due to commence in April 2021
- Accelerated the expansion of our DrillRdillo wellbore clean-up technology in Norway, the UK and Malaysia, saving clients hundreds of hours in operational rig time by eliminating the need to run a dedicated wellbore clean-up trip
- Set a new tubular running record for Equinor globally, achieving 43.1 joints per hour with 13 3/8" casing on the Deepsea Atlantic rig
- Successfully supported the Deepsea Stavanger rig while working for Total in South Africa with integrated tubular running and drilling tool rental services
- Successfully entered the UK wellbore clean-up market, performing our first ever wellbore clean-up operation for BP on the Clair Ridge platform
- Integrated our tubular running services with drilling operations on BP Clair Ridge and Equinor Mariner, including our first commissioning of a fully integrated iron roughneck on Mariner
- Expanded our rigless intervention services business within the geothermal markets in The Netherlands and Germany
- Successfully launched our new API certified drill pipe tubular repair shop business in Ploiesti, Romania
- Signed long term strategic contracts with MND and Vermillion to support our growth in Central Europe
- Re-secured a key offshore tubular running service contract for a major gas storage project with end-client BOTAS in Turkey
- Secured a major long term downhole fishing contract with Kuwait Oil Company in Kuwait
- Opened a new workshop in Malaysia and increased our market share with a variety of new multi-year contract awards for wellbore clean-up services and drilling tool rentals

Odfjell Well Services remains well positioned for future growth in our current geographical locations, with renewed vigour to expand into new locations. We remain focused on anchoring our ambitions for existing product lines and creating added value through synergies with other areas in the Odfjell Drilling Group. This will ensure the commerical sustainability of our business in 2021 and beyond.

George Taggart, EVP Well Services

"The low oil price and impact caused by the Covid-19 pandemic certainly presented challenges. Some geomarkets felt the effect more than others, with projects postponed or delayed and logistical issues with closed borders affecting our ability to mobilise personnel and equipment. By controlling our costs and being extremely disciplined with any investments, we were able to navigate 2020 in a very efficient manner with the 2020 EBITDA actually being slightly better than 2019. In particular, I am proud that we marked more than 1 year without any LTIs, a performance we are focused on maintaining. Our business is built around our people, and the prioritisation of safety and the commitment and determination of our Team has helped us navigate these difficult times."

Energy

The rise of Energy

In October 2020, Platform Drilling and Odfjell Drilling Technology combined were renamed Odfjell Energy. The rebranding aimed to create exciting opportunities for growth within existing portfolios and to define new markets. The change also signifies our broader ambition to develop the business for a changing energy market. Odfjell Energy continues to deliver platform drilling services alongside projects and engineering services, but also has a remit for diversification where there are opportunities to create a footprint within new energy solutions. Odfjell Energy is positioned to utilise existing experience and competence to explore new markets.

Our Energy business operates from Norway (Stavanger, Bergen and Stjørdal) and the United Kingdom (Aberdeen).

To meet the objectives of Odfjell Energy, activities have been re-structured under the following groups:

- Platform Drilling – Operations Norway and UK
- Engineering & Project Management
- Innovation & Development
- Integrity Management

While a strong focus on delivering integrated services for the oil and gas sector remains at the core of Odfjell Energy, the revised business structure facilitates the development of a more diversified client base and product lines, whilst acknowledging that the energy transition requires investment over time.

Work is ongoing to increase sales and marketing capabilities, to streamline and to make more efficient internal processes and to expand geographical locations.

A product line in Innovation & Development for sustainability has been flexibly designed to allow for technology and novel concepts to be considered.

Through 2020, Energy (and its heritage component businesses) has delivered strong commercial performance. See Board of Directors Report for segment results.

Odfjell Energy has continued to be a major provider of drilling and maintenance services on oil and gas production facilities for international exploration & production companies. We have provided, and will continue to provide, integrated drilling services including onshore support, production drilling and completion, well maintenance, plugging and abandonment, facility maintenance planning and project management for maintenance and modifications. During 2020, we provided drilling services on 15 fixed installations on the Norwegian and the UK continental shelves.

We have continued to provide a wide range of engineering, technology support and project management services internally to the Group and to external clients. Services are provided to mobile drilling units and to fixed platforms.

Energy management has been a focus during 2020. We developed Energy Management Plans for Heidrun and Johan Sverdrup DP, and we are looking to expand this concept across our other activities.

The Covid-19 pandemic created market uncertainties and our Energy business was not immune to these. In particular, our engineering services saw increased volatility and a shorter than usual order backlog. Low oil price and Covid-19 led to the shut down or postponement of some drilling activities.

The start-up of the Greater Ekofisk Area contract with ConocoPhillips presented challenges, but a successful start to the project was made. This was one of the factors contributing to Odfjell Energy receiving a safety award for the Ekofisk X platform from ConocoPhillips. Valuable lessons were learned from the start up, which will be utilised in the future.

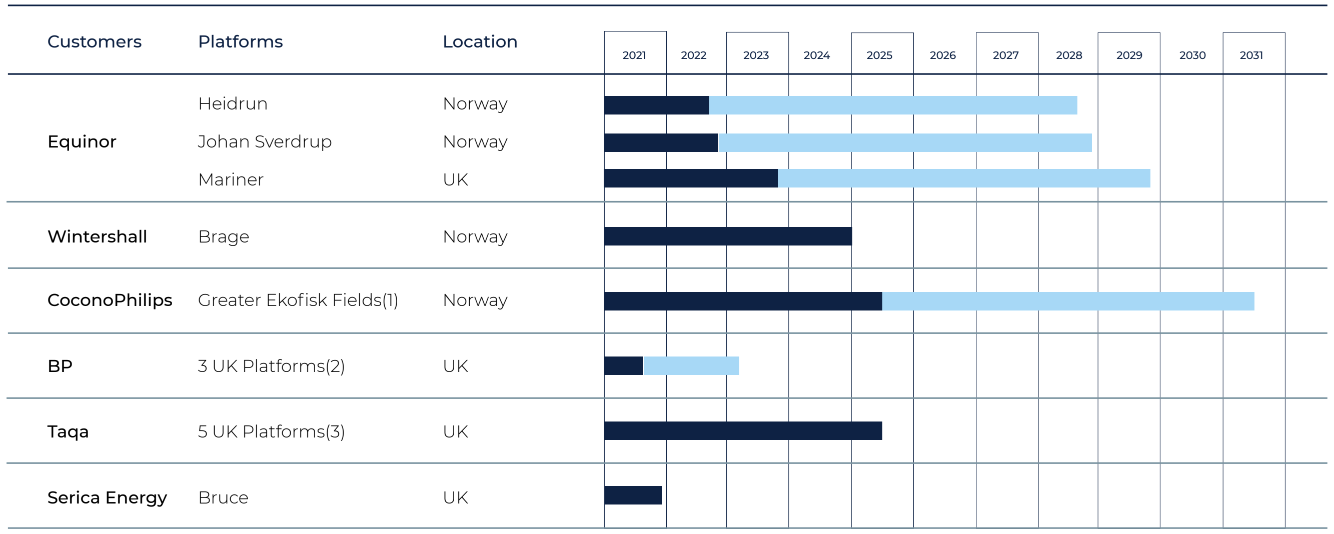
The shut down of drilling activities as a result of the pandemic was handled well. A number of employees had to be furloughed for a period, but where possible, through good communications and planning we were able to reassign some of those individuals to other projects.

Notwithstanding the challenges which 2020 presented, Energy has made many notable achievements during the year:

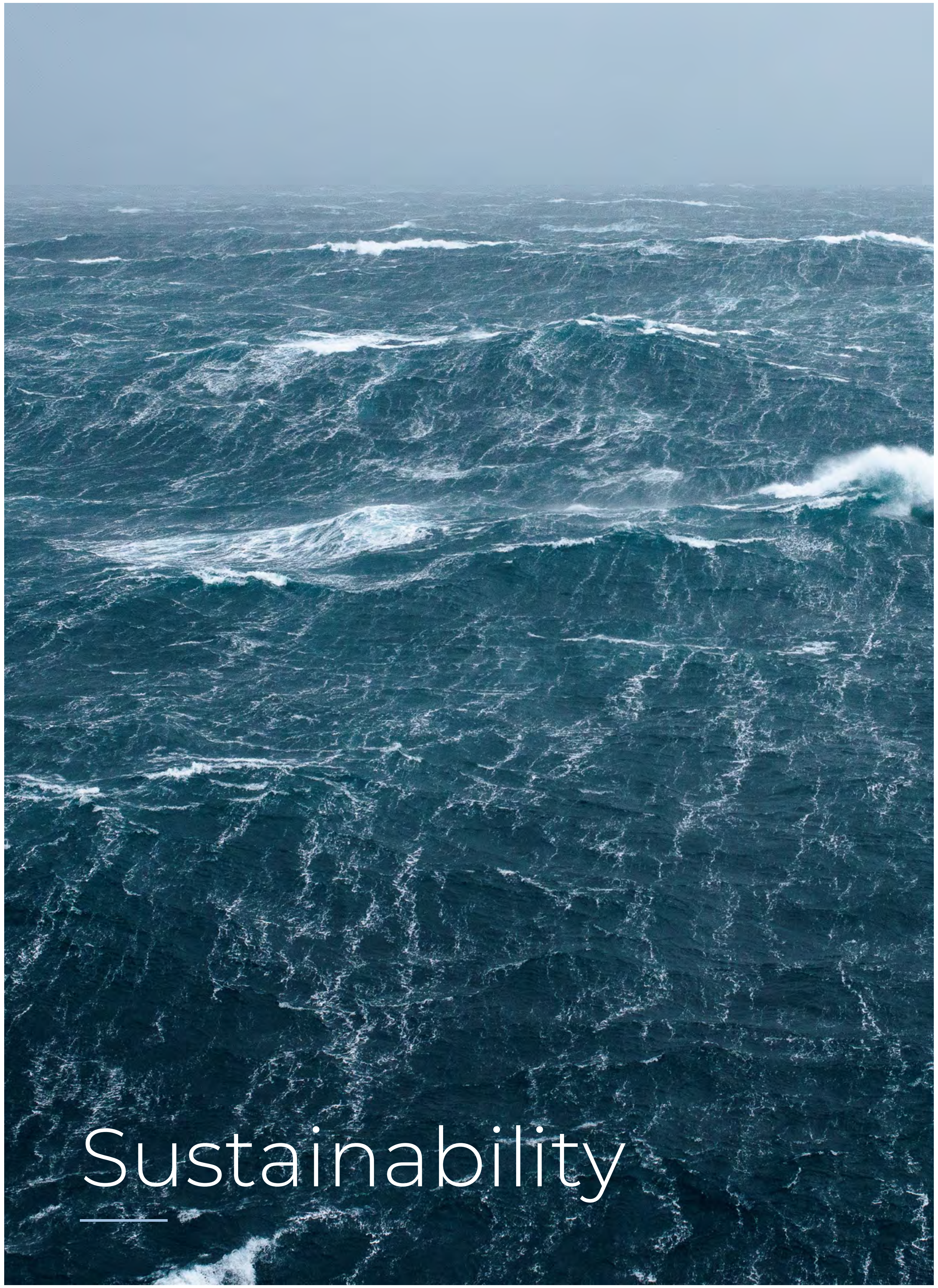
- Completion of a Special Periodic Survey for Deepsea Aberdeen and an additional successful yard stay back in Norway after operations
- Platform Drilling and Maintenance and Minor Modifications contract for ConocoPhillips at the Greater Ekofisk Area. The contract work included drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance of ConocoPhillips' drilling facilities on three offshore platforms in the Greater Ekofisk Area. The contract period is for five years, with an option to extend two times, each time by up to three years
- Extension of the TAQA, Serica and BP contract
- Started drilling activities at Johan Sverdrup DP and Mariner PDQ
- Working in close collaboration with BP on the Clair Field
- Started a project with Alpa, a slot recovery unit for fixed installations
- Yard stay for Deepsea Stavanger, preparing the rig for the South Africa campaign
- High activity within Rig Inspection Services and Technical Integrity Management
- Client relations have remained positive and productive with a view to understanding the drivers behind new assignments and allowing us to be prepared for delivering services with a short lead time

Elisabeth Haram, EVP Energy

"Reflecting back on 2020, Energy has had a very hectic year with a high activity level and many success stories. Combining our operational resources with our engineering force to build even stronger teams and competence, has already unlocked new exciting opportunities in Energy and enhanced our resilience. Looking into the future, Energy will continue to create growth in our existing services and we plan to diversify our business for energy markets outside oil and gas. The key success factor for this to happen is to continue developing our people and the existing high level of competence which is our competitive edge, and utilising this competence to develop Energy for the changing energy market."



1)Eldfisk B, Ekofisk K, Ekofisk X
2)Clair, Andrew, Clair Ridge
3)North Cormorant, Harding, Tern Alpha, Brae Alpha and East Brae



A primary objective for 2020 was to prepare and implement an Environment, Social Responsibility and Governance ("ESG") strategy for the Group. Despite Covid-19 requiring our organisation to rapidly manage changing conditions on a daily and sometimes even hourly basis, we have taken some important steps in our ESG journey over the last 12 months. A summary of the highlights is listed below, but more information can be found in a separate Sustainability Report for 2020 where we expressly establish our priorities, which is published on www.odfjelldrilling.com. The Sustainability Report in 2019 was a first step in Odfjell Drilling's efforts to systematically report on ESG. The 2020 report is the first to be in compliance with the Global Reporting Initiative ("GRI"). The full GRI index can be found on www.odfjelldrilling.com.

The Group's efforts within ESG are concentrated around three main focus areas: Environmental Impact, People & Safety and Ethics & Governance. The main focus within Environmental Impact last year was the alternative routes to "zero emission drilling". This included further development of the battery and hybrid solutions, assessment of alternative fuels, studies in drilling with shore power and carbon capture solutions. The investment in Oceanwind AS, working to further commercialise offshore wind in harsh environments, stands out as a key strategic action in 2020.

Within "People & Safety", the focus for 2020 was primarily Covid-19 and securing our people's health while trying to keep operations going. The pandemic required close monitoring of any quarantine situations of personnel to ensure that qualified replacement personnel were provided, and all operations remained safe. The Corporate Covid-19 Task Force developed procedures and implemented actions at all locations for both on and offshore to prevent spreading the virus. Following government guidelines, all office staff have been directed to work from home. We have used the global Working Environment Survey to understand how this way of working has affected our employees. These activities have been carried out on top of the normal operations and campaigns for people and safety related focus areas.

"Ethics & Governance" will always be an integral part of our business. Ensuring that our company and those engaged by us adhere to the highest ethical standards forms the foundation for all our policies, processes, business activities and relations. Odfjell Drilling recognises the importance of transparency and promotes a culture of openness and disclosure, which helps to safeguard our organisation and our people against claims of misconduct, conflicts of interest and anti-competitive behaviour. Odfjell Drilling established a new Business Compliance Portal during 2020, for reporting of any potential issue or relationship that might be deemed as in conflict with any personnel's role within Odfjell Drilling.

Covid-19 Pandemic

Corporate Covid-19 Task Force was established 12 March 2020 on a strategic level to ensure a robust management of Covid-19 challenges facing all Odfjell Drilling locations both onshore and offshore. Policies and procedures were implemented to ensure adequate infection preventive measures, as well as business continuity and normalisation instructions within all Business Areas. Both national and regional requirements and recommendations have been monitored and procedures updated as and when required. Status on Covid-19 management has been reported to the Corporate Executive Management Team on a weekly basis, and the Board of Directors has been updated accordingly.

Travel restrictions, quarantine/isolation and Covid-19 testing requirements have given us challenges through 2020, mainly on various Well Services locations in the Middle East, Africa and Asia Pacific regions while in Europe, the business has only been hit mildly. Onshore office staff have (as a main rule) been working from home office for the majority of 2020, without causing operational or business challenges.

MODU

Updated pandemic plans and a thorough system, based on pre-tour interviews and detailed on-board Covid-19 restrictions, were put in place in March 2020. These were later updated as and when required based on national, regional and corporate restrictions.

Deepsea Stavanger was engaged in a drilling campaign in South Africa during the period of 23 August - 23 November 2020, which required thorough planning to prevent any infection transmittal amongst the crew onboard. A "safe corridor" was established for the crew which included elements such as: pre-departure interviews; quarantine and testing prior to leaving Norway; a charter flight to South Africa; isolation/quarantine and testing upon arrival onshore in South Africa; and approved travel to Deepsea Stavanger provided Covid-19 test results were negative. For offsigners leaving Deepsea Stavanger the same "safe corridor" was established, i.e. safe transport from the heliport to an isolation/quarantine hotel; safe transport from the isolation/quarantine hotel to the airport; a charter flight to Norway; and testing upon arrival in Norway.

Energy

Energy's platform drilling activity has adhered to both national, regional, corporate and operator Covid-19 restrictions and guidelines throughout March-December 2020. National, regional and corporate restrictions have been applicable for all onshore activity.

Well Services

Business Area specific, as well as location specific Covid-19 preventive procedures were established in March 2020, based on corporate requirements and regional and national restrictions.

The Covid-19 outbreak has had limited impact on operations in 2020 and any developments are monitored closely.

Janike A. Myre, SVP QHSE

"The global Covid-19 pandemic introduced new and unexpected challenges for the organisation in 2020. Through immediate handling of the situation, update of pandemic plans and the establishment of response and business continuity plans, the onshore and offshore organizations have adopted new controls in a most exemplary manner. Odfjell Drilling concluded the year 2020 without any serious incidents and will, through strategic actions, work purposely towards continuous improvement to ensure a robust, safe and healthy organisation."

QHSE Strategy

The overall QHSE Strategy in Odfjell Drilling is to maintain and further develop, a safe and secure high quality operation by constantly driving continuous improvement towards zero injuries and failures. To achieve this strategic goal, key actions are defined within the quality, environment, safety and security procedures.

Quality – strategic actions 2020

- Maintain corporate ISO 14001 environmental management and ISO 9001 quality management certifications
- Maintain Odfjell Well Services API Q2 quality management system certification for service supply organisations in the oil and gas industry in selected geomarkets
- Maintain a robust Company Management System (CMS) with focus on LEAN principles (waste minimisation), global standard and process development
- Effectively integrate risk and opportunity management in all business processes
- Consistently build and maintain good relationships with authorities, flag states and customers
- Contribute in further development of national and international standards, and petroleum related rules and regulations
- Regularly verify the organisational robustness through capacity, competence and working environment
- Consistently enforce the company ethics and compliance programme

Safe & Secure operations – strategic actions 2020

- Secure compliance with ISO 45001 (Occupational Health & Safety Standard)
- Secure well control discipline competence and capacity
- Effectively improve major accident management and awareness
- Effectively implement dropped object prevention programmes
- Secure a high information and personnel security standard
- Establish annual corporate safety and security initiatives
- Exercise strong safety leadership at all management levels
- Effectively integrate self verification processes in all Business Areas
- Receive continuously updated security information for relevant areas and act accordingly

Company Management System

Odfjell Drilling has established a Company Management System (CMS) containing policies, processes and procedures for all aspects of our business meeting the requirements of our owners, authorities, customers and other stakeholders.

Odfjell Drilling CMS is certified to ISO 9001 Quality Management and ISO 14001 Environmental Management on corporate level.

MODU is certified to The International Safety Management (ISM) Code. Well Services is certified to API Q2 Quality Management for Service Supply Organisations in the UAE. Odfjell Drilling UK is accredited by IADC for its Competence Assurance Programme.

The CMS is in compliance with ISO 45001 Occupational Health and Safety Management and ISO 31000 Risk Management.

ISO 50001 Energy Management System has been integrated into the CMS where relevant.

Risk based Approach

Risk assessments from all parts of Odfjell Drilling, including risks and opportunities identified through management of change and projects, provide input to the enterprise risk management process (see section How we manage risk), depending on the scale of the risks and opportunities. All risk types critical to our business and operations are identified, evaluated and managed. Complying with the ISO 31000 standard for risk management is required by our global risk management procedure.

Risks and opportunities are addressed in the strategic planning process and at operational level on a regular basis. We ensure objectives are achieved through follow up initiatives, and identification and evaluation of risks, opportunities and disruptions. Actions are taken to mitigate unacceptable risks, capitalise on opportunities and address disruptions to services.

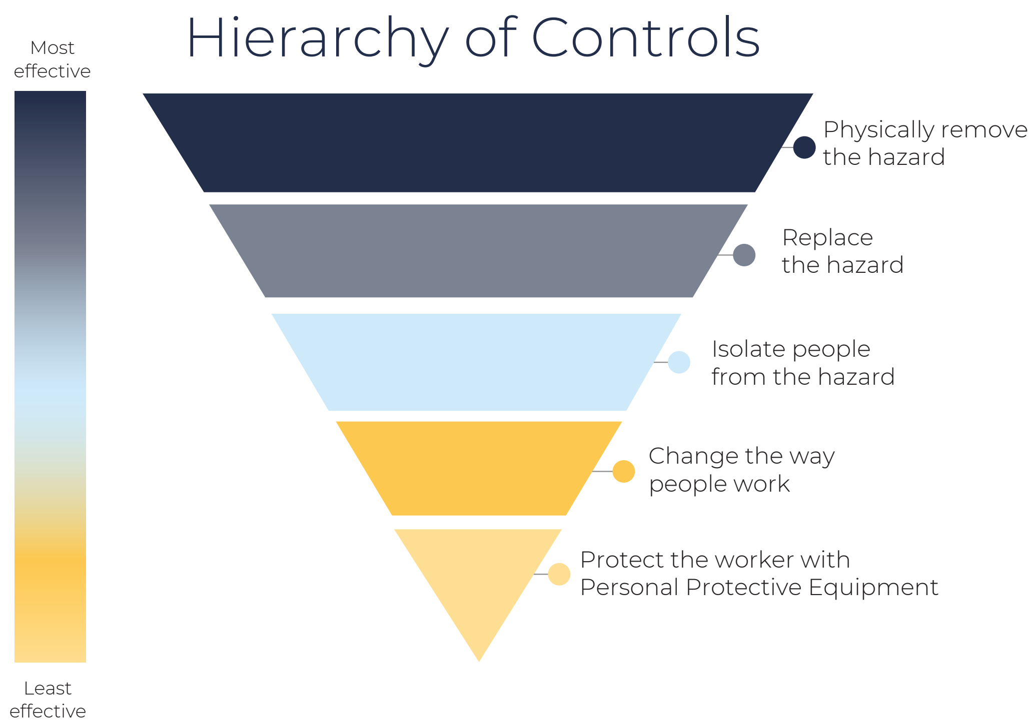
We believe that risk management provides an important tool in loss identification, prevention and mitigation.

The HSE risk management process applies to all operations globally. Hazards are systematically identified and associated risks are understood and managed in such a way that the risk level is reduced to as low as reasonably practicable.

The Hierarchy of Controls approach is utilised to establish the most effective mitigating actions.

HSE risk assessments are performed proactively in the planning processes, at the work sites prior to work, and during work. Risk assessments are evaluated as part of de-brief meetings to capture lessons learned.

Environmental risks and opportunities are identified and managed through environmental aspects and impacts registers. The main output of this process is identification of significant environmental aspects. Any significant aspects identified form the basis for setting and formulating objectives and improvement programmes to reduce our impact on the environment.



QHSE Management

The Group works continually to maintain the highest quality standard in delivering our products and services, and in protecting people and the environment.

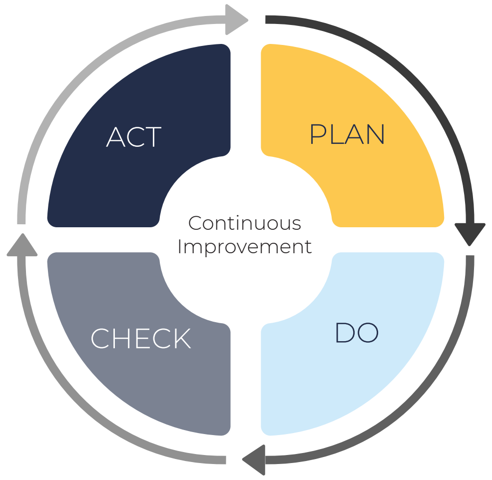
Leadership, strong understanding of risk and continuous focus on QHSE are essential. The systematic work of improving QHSE never ends and we are working purposefully and relentlessly to maintain high QHSE standards within all our activities.

QHSE is a management responsibility starting with the committment from top management and cascaded down through line management.

Odfjell Drilling promotes a safety culture based on a solid Company Management System followed by competence, commitment, mutual respect, empowerment and involvement. Safety culture reflects our commitment to manage risk and safety as stated in our Company Management System, and commitment to communicate and act upon safety concerns.

Formal management review meetings are performed annually, as a minimum, in all Business Areas. Overall Business Area status, including status within each discipline, is presented and discussed in the management review meetings, and decisions are made if adjustments to strategy, objectives or actions are required as a result.

The PDCA cycle (Plan-Do-Check-Act) is applied to the processes of continually improvement. Continual improvement is an integral part of our work culture.



Annual QHSE Programme

Odfjell Drilling's Annual QHSE programme is established on corporate level and accompanied by Business Area specific QHSE action plans. The annual QHSE programme is based on corporate specific strengths and weaknesses as well as input from clients and authorities.

In 2020 Odfjell Drilling focused on the following main topics:

- Standardisation
- Reduce waste in work processes
- Enhance cyber security and personnel security
- Well control
- Dropped object prevention
- Control of work
- Life Saving Rules
- Human factors
- Carbon footprint

Based on corporate QHSE results in 2020 as well as improvement areas identified through internal management review processes,

our main priorities in 2021 are:

- Standardisation
- Digitalisation
- Cyber security
- Client and supplier collaboration
- Well control
- Dropped object management
- Human factors
- Control of work
- Environmental impact
- Carbon footprints

Performance Measuring and Monitoring

Measuring and monitoring performance are key elements of continual improvement and driving business growth.

Odfjell Drilling sets targets and records performance against key performance indicators (KPIs) within HSE and other areas. Performance criteria are defined as part of strategic planning and establishment of annual programmes, and in agreement with customers.

KPIs and other relevant data are visualised in Power BI where dashboards and reports facilitate for management to quickly act on data.

Management of risks and opportunities on a daily basis is vital in achieving goals and KPIs. Structured risk management processes are in place to identify, mitigate and report risks and to exploit opportunities. Please see Risk based Approach and How we manage Risk for further information.

QHSE Audits

Annual audit plans for 2020 were developed on corporate and Business Area levels. We use the risk based approach methodology for selecting audits. Management from corporate and Business Areas were active in the process of establishing audit plans.

The purpose of auditing is to verify compliance with applicable internal and external requirements, and to provide the auditees with opportunity to improve their operations.

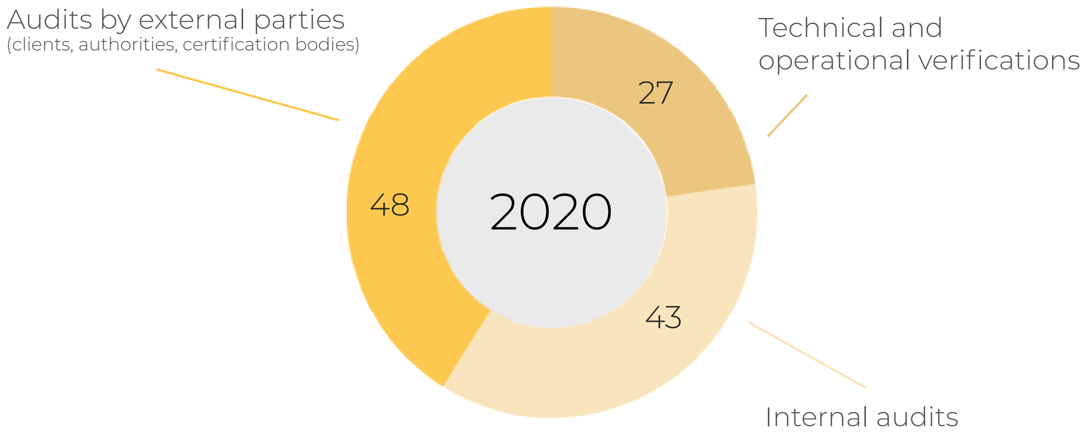
In addition to internal audits, the Business Areas were subject to several audits performed by authorities, clients and certification bodies.

As the Covid-19 pandemic made it difficult to do physical audits and verifications, a remote auditing procedure was established. Most of the audits and verifications - both onshore and offshore - were performed remotely after March 2020.

Part of the remote auditing process is to do a pre-audit risk assessment to verify quality of the audit and achievement of audit objectives. The experience with digital interviews and tools for presenting documentation and evidences to the audit team was good, and the process improved throughout the year.

Relocation of Deepsea Aberdeen from UK to Norway resulted in many authority and client audits as part of the application for Acknowledgement of Compliance for operating on the Norwegian Continental Shelf and the rig intake process.

Due to the Covid-19 pandemic, few on-site audits of suppliers were performed in 2020. The most critical suppliers were thoroughly followed up by our Supply Chain Management (SCM) department.



Safety

The Group works continuously to maintain the highest safety standard and protect the health of our employees, and any other individuals associated with our operations. The objective of the Group is to provide a structured management approach to control safety risks. The Company Management System is continuously maintained to ensure that safety is managed in all activities.

Odfjell Drilling promotes a safety culture based on a solid Company Management System followed by competence, commitment, mutual respect, empowerment and involvement. Workers knowledge and experience are important, and worker participation is essential to the Group's safety work.

Digitalisation is radically altering the petroleum industry, which will bring major changes for many employees. Digitalisation is expected to give us the opportunity to increase our capacity to work even safer and more efficiently. Good change and risk management processes are pivotal in achieving these goals.

The Group adopted the nine Life Saving Rules set by the International Association of Oil & Gas Producers in 2019 to draw the attention to the activities most likely to lead to a fatality. During 2020, Odfjell Drilling continued to implement these rules throughout the organisation.

Odfjell Drilling works continuously to ensure that working safely always takes precedence, and that we do not become weakened by complacency.

CEO Safety Performance awards 2020 were presented to three units with a high safety performance, and to one individual employee in recognition of showing significant support for the promotion of safety awareness and procedural discipline.

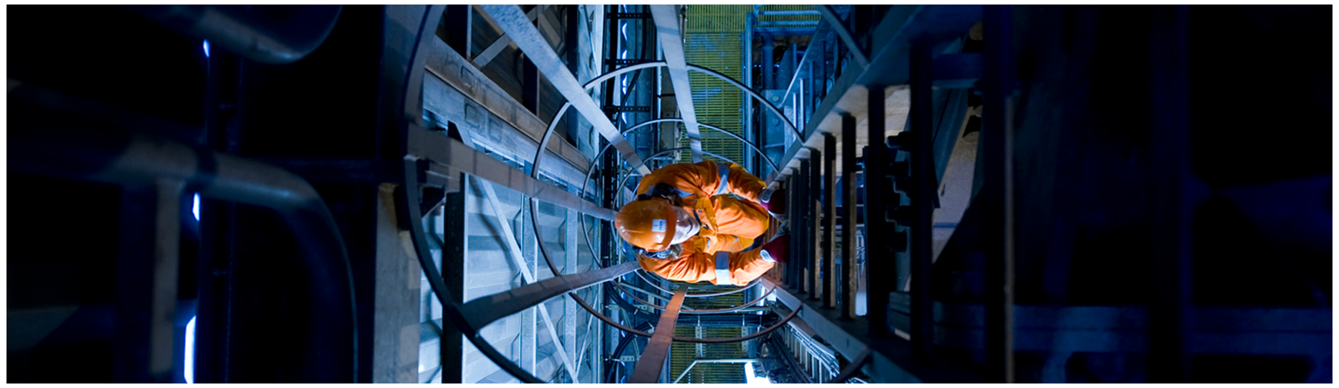
Working Environment

Odfjell Drilling has a long standing culture of cooperation with safety delegates, cooperation based on mutual respect and involvement. Safety delegates are elected/assigned among offshore and onshore personnel to safeguard employee's interests in matters relating to the working environment. Safety delegates are responsible for reporting any concerns and issues to onshore/offshore management. Odfjell Drilling has a designated Main Safety Delegate in a 100% positon located onshore.

The Group performs Working Environment Surveys onshore annually and offshore bi-annually. Results from Working Environment Surveys are presented to the workforce for consultation and participation in the development of any action plans required for improvement. Results from the 2020 surveys are within the Group target range and improved from 2019 in spite of the challenges imposed by the Covid-19 pandemic.

Hazard identification and risk assessments are performed both in-house and by specialists from Odfjell Drilling's occupational health service provider. This includes measurements of physical factors and evaluation of the physical working environments for all offshore and workshop positions.

Sickness absence is continuously monitored. The Group's total sickness absence in 2020 was 3.0%, which is within the target.



Environment

Odfjell Drilling's Company Management Sys is certified to ISO 14001 Environmental Management System, cfr. Company Management System . ISO 50001 Energy Management System has been integrated into the Company Management System where relevant.

An important element of the environmental management system is to identify environmental aspects and impacts resulting from our operations, and to determine significant environmental aspects. Please see section Risk based Approach for more information.

The life cycle approach is applied in our environmental aspects and impacts assessments. In addition to operational processes, environmental impacts are considered in design, procurement, logistics and disposal processes.

The environmental management system and environmental performance are further described in our Sustainability Report.

Security

Security in Odfjell Drilling is an integrated part of QHSE designed to safeguard personnel, assets and business from potential security threats. Personal responsibilities for line management, our employees, subcontractors and consultants are communicated to them.

2020 showed increased cyber security risk and cyber security regulations were announced by authorities for 2021.

Managed by the Cyber Security Task Force, Odfjell Drilling has prepared itself for these challenges and upcoming regulations.

Cyber security is also a focus point in the Corporate 2021 QHSE programme.

No security breaches were reported in 2020, and one unannounced MODU Security exercise was performed with good results.

Emergency Preparedness

All Business Areas have an emergency preparedness plan and annual plans for emergency drills and exercises based on governmental, internal and client expectations.

The Manila Global Business Support team has established business continuity plans based on the risk of natural disasters in the area. Establishing these plans and reviewing them is in line with established QHSE management routines.

Drills, exercises and coursing for both on- and offshore personnel were somewhat hindered in 2020 by Covid-19 restrictions imposed on external training centers. Internal offshore drills were to a limited extent affected by Covid-19 restrictions such as 'social distancing'. Our MODU units were able to perform alternative drills. The Covid-19 pandemic has kept the emergency response team on 2. and 3. line continuously active.

The total number of onshore emergency response drills during 2020 was 10. The number of onshore drills were somewhat restricted due to mandatory home office periods throughout the year, but several exercises were performed with clients by use of Teams. Experiences from these exercises are used to improve our onshore emergency preparedness.

Strategic Report

HSE Incidents

In 2020, the Group managed a level of safety with no fatalities and no serious incidents. We see a decreasing lost time incident trend, however an increase in number of medical treatments and dropped objects. None of the personal injuries resulted in permanent disability. Corrective actions are implemented based on results from incident investigations, and experience transfer carried out in order to prevent recurrence. Additional actions in order to turn the total recordable incident frequency and dropped objects trends are reflected in the QHSE Programme 2021 and Business Area specific QHSE action plans for 2021.

We experienced one high potential incident in 2020; HP riser was disconnected from the wellhead. There were no actual injuries or environmental impact, but the potential consequence was, by the investigation group, rated as high risk. The investigation determined that the direct cause of the incident was a result of two control lines becoming trapped in the riser running tool. Root causes were related to design and lack of adequate procedure for the work.

Incident Investigations

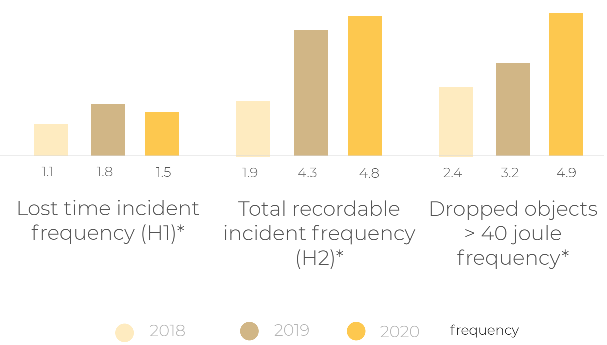
The Group carries out investigations of incidents/accidents at an appropriate level in the organisation based on the severity and/or potential of the incident/accident.

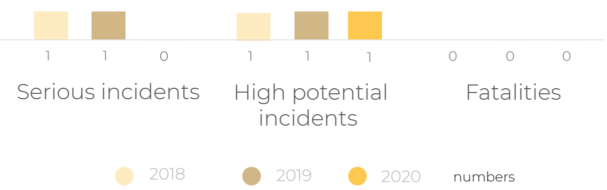
Seven corporate investigations were carried out in 2020. This enabled us, in each case, to:

- Identify direct and root causes to the incident so as to be able to take action to prevent recurrence
- Identify the actual circumstances surrounding the incident with a view to possible insurance or legal claims
- Satisfy internal and regulatory incident reporting requirements

Corrective and preventive actions as defined in the investigation reports are registered in Odfjell Drilling's system for follow-up of incidents.

HSE metrics for offshore activities





Lessons Learned
Lessons learned from incidents are shared both internally and with the industry for further learning purposes in order to prevent recurrence. Future undesirable events are avoided through an understanding of the reasons failures occur and application of the lessons learned from past incidents. Learning from incidents is not only a deliberate improvement strategy, it provides an opportunity for continuous improvement, which is an integral part of the work culture.

Supply Chain

Due to its international presence, Odfjell Drilling's suppliers are spread over many locations. In 2020 we purchased in 63 different countries from Australia in the South East to Canada in the North West. The three countries where we have the highest number of transactions are Norway, UK and United Arab Emirates.

Odfjell Drilling screens all potential new suppliers before they are put on an Approved Vendor List ("AVL"). The supplier prequalification process includes assesments of the supplier's policies, performance and systems, and these are evaluated against Odfjell Drilling's expectations, requirements and ethics. More information can be found in the Sustainability Report page 52-52.

Some key metrics for 2020 include:

Key Metrics
5,700
Total number of suppliers on the AVL in 2020

Key Metrics
1,927
Number of suppliers used in 2020

Key Metrics
350
Million USD
Purchase order net amount

Key Metrics
92,568
Number of purchase order lines

Supply Chain Management ("SCM") is a centralised function, and includes all purchasing and logistics functions. SCM is led by the Chief Procurement Officer who reports to the Chief of Staff. Dedicated buyers for each facility report, in addition, to the Rig Managers.

The responsibilities of the SCM department are defined in level 1 of the Company Management System. A functional centralisation provides an advantage of capturing the complete Group spend (350 million USD / annually) and enables us to use this to negotiate the best terms for all operational units. Other advantages related to a centralised SCM organisation are:

- Standardised processes and policies executed centrally
- Resources and best practices controlled centrally
- Process compliance, efficiency and effectiveness are monitored for consistency across all operational units
- Key performance indicators for the whole business are defined and measured centrally
- Global standard policy incorporating, Enterprise Resource Planning ("ERP") system use, ERP and SCM training, parts catalog code structure and classification supported and managed centrally.

This centralised management also ensures that we can:

- Execute Odfjell Drilling’s third party commitments in a professional manner
- Work towards reducing surplus stock and optimizing inventories across operations
- Ensure efficient operational and project support
- Optimise resource use

Main type of suppliers and their products/services

The main types of suppliers to Odfjell Drilling are suppliers of drilling related equipment, spare parts and safety equipment, although various service suppliers and suppliers of operational consumables also are included in the scope.

How we manage Risk

As parent company of the Odfjell Drilling Group, Odfjell Drilling Ltd and its Board of Directors takes responsibility for determining the nature and extent of principal risks it is willing to take in achieving the Group's strategic objectives. The Board establishes and maintains a framework of risk management and internal controls that enables strategic, financial and operational risks of the Group to be assessed and managed. The Board is also responsible for reviewing and approving a risk appetite framework and ensuring its ongoing suitability for supporting strategic objectives in light of changing internal and external circumstances.

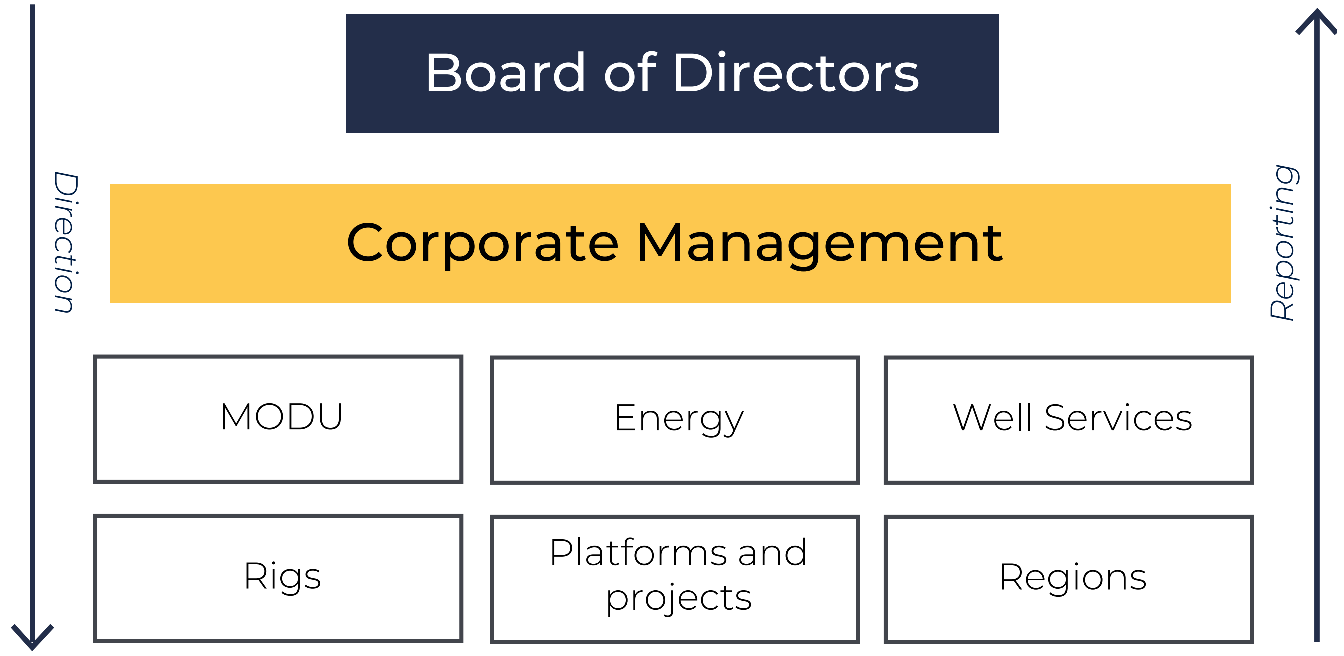
The Board has defined risk management as including the identification, evaluation, management, review and escalation of risks and opportunities. The Board acknowledges that effective risk management is vital to ensure operational continuity and to realise strategic goals.

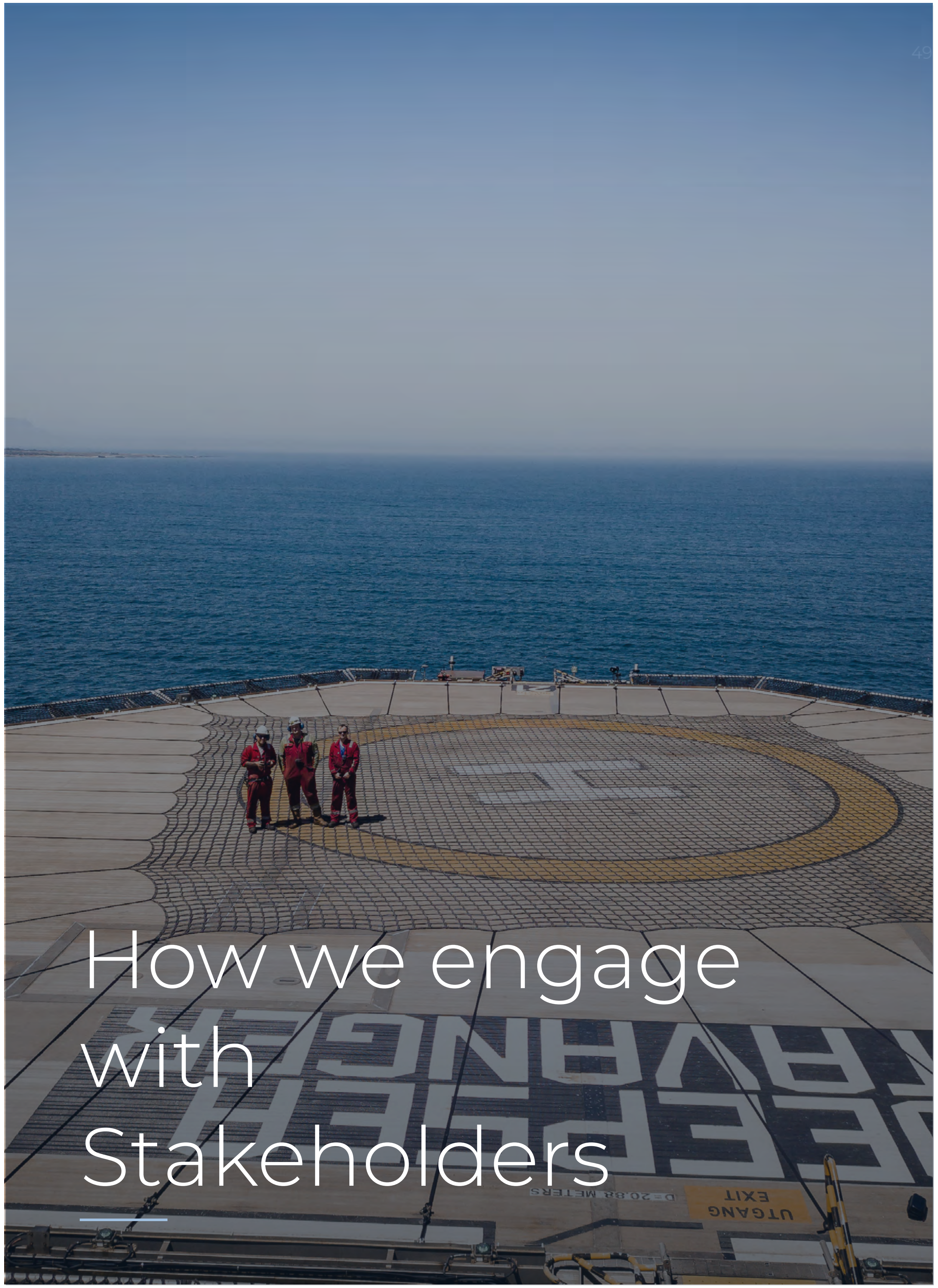
Management of risk is achieved by:

- Defining risk acceptance criteria through a yearly update of enterprise risk exposure and the establishment of risk norms
- Defining requirements for systematic risk management
- Maintaining risk registers identifying risks and controls in place to mitigate risks
- Rating risks based on impact and probability of occurrence
- Integrating risk management into the Odfjell Drilling culture and decision processes
- Establishing reporting lines for risk management
- Providing risk management training in accordance with manager and employee responsibilities
- Monitoring risk management processes and their effectiveness
- Ensuring continuous improvement of risk management processes

At an operational level, business area operational risk and opportunity registers are managed and maintained. Additional risk registers are created for major operations and projects. Risks outside of accepted risk norms are escalated to the Board. Management committees exist to consider risks associated with tenders and contracts. These include a Corporate Risk Committee and a Tender Committee. Both committees assist operational management in making recommendations to the Board.

The Board of Directors Report contains a Risk Review.





Odfjell Drilling engages with multiple stakeholders from Board level down to line managers on a daily basis. Key stakeholders are identified through the potential impact they have on our business. Keeping a good stakeholder dialogue is important to adapt to external changes, understand risks and opportunities, build trust and lay the foundation for the continued development of our business. Stakeholder dialogue takes place through collaboration, partnerships, alliances, industry fora and periodic reviews with clients, suppliers, governmental bodies and society at large, including non governmental organisations. Quarterly and annual reporting forms the foundation for dialogue with investors and financial institutions in particular. The Board gets updates on key stakeholder relations through regular reporting.

Employees

The employees of the Odfjell Drilling Group are a valued resource. The Company is committed to equal opportunities for all and a workplace free from harassment and discrimination. The Group selects, recruits, employs and promotes staff based on the abilities of the individual regardless of sex, age, race, disability, ethnic origin or religion. Within the Odfjell Drilling Group, engagement with employees is considered throughout the organisation at all levels. Employee engagement within the Group is on a continual basis, with news being shared frequently via a Group intranet system. A number of employee engagement methods are in place within the Group including an annual employee survey, frequent town hall sessions, which have been held virtually during 2020, employee networks which provide a safe environment for raising difficult issues such as harassment and structured communication channels with employee representatives and unions. The result of the 2020 employee survey were shared with the Board.

Suppliers & Customers

The Odfjell Drilling Group relies on its suppliers to provide quality goods and services in order to maintain the highest standards of operation, safety and reliability in meeting the needs of its customers. The Group is committed to having professional and ethical relationships with its suppliers. Supplier relationships within the Odfjell Drilling Group are managed under the “Become a Supplier” procedures, which apply to all subsidiary companies.

The Group works to maintain a professional and ethical relationship with all of its customers. There is regular communication between the Group and its customers through both formal and informal channels. Quarterly business and contract reviews are carried out to ensure that customer relations remain positive or that any issues can be raised and dealt with. Additionally, specific customer alliance arrangements are in place. High profile business development roles have been created to ensure that relationships are managed and appropriately resourced. The Board is kept up to date with signficant supplier and customer relations matters by means of regular reporting.

Board of Directors

Helene Odfjell
Chairman of the Board

Helene Odfjell (born 1965) has a Master of Business Administration from the Norwegian School of Economics (NHH), a Master of Business Administration from London Business School and is a Chartered Financial Analyst. Mrs. Odfjell has many years of experience in business and management and holds many board and management positions in the affiliates of the Company. Mrs. Odfjell has been Chairman of the Board for several periods over the last years and was appointed Director in September 2013. Mrs. Odfjell controls 142,476,191 shares in the Company as at year end 31 December 2020.

Susanne Munch Thore
Director

Susanne Munch Thore (born 1960) is a partner with the Norwegian law firm Arntzen de Besche. She has a law degree (cand. jur.) from University of Oslo. In addition, she holds a Diploma of International Affairs from John Hopkins School of Advanced International Studies, Bologna and a Master of Laws (L.L.M.) from Georgetown University, Washington D.C. Mrs. Munch Thore was until May 2018 a partner in Wikborg Rein's Oslo office and part of the firm's Corporate Finance and Tax group. Mrs. Munch Thore has also been Legal Officer at the Oslo Stock Exchange. Mrs. Munch Thore has assisted both foreign and Norwegian entities in connection with mergers and acquisitions (M&A), capital market transactions including stock exchange listings, as well as transactions pertaining to company law and securities law. She also has extensive experience from various boards and is currently inter alia chair of Oslo Areal, a Norwegian real estate company. Mrs. Munch Thore owns 3,000 shares in the Company as at year end 31 December 2020.

Thomas Marsoner
Director

Thomas Marsoner (born 1960) holds a doctorate in Law from the University of Vienna, Austria, and a Master of Business Administration from Columbia Business School, New York. Mr Marsoner has over 30 years of experience in Investment Banking, having worked at S. G. Warburg, Salomon Brothers, Lehman Brothers and Nomura. He has extensive knowledge of M&A advisory and financing matters in a number of industries, including but not limited to, Financial Institutions, Retail and Energy. He is a Director of M&M Capital Ltd, an M&A advisory boutique he controls together with an Italian partner. Mr. Marsoner owns 20,000 shares in the Company as at year end 31 December 2020.

Alasdair Shiach
Director

Alasdair Shiach (born 1956) has a Bachelor's degree in Business Studies from Robert Gordon's University (formerly RGIT) in Aberdeen, Scotland. Mr Shiach has 38 years of international experience in the Oilfield Service sector having worked for Dresser Industries and then Baker Hughes Inc. Prior to his retirement in May 2016, Mr Shiach held senior executive leadership positions at Baker Hughes, including President of the Drilling Fluids product line and President of the Russia Caspian region as well as assignments in USA, UAE, Saudi Arabia and Norway. Mr Shiach is also on the Board of Welltec International.

Executive Management Team

Simen Lieungh, Chief Executive Officer, Odfjell Drilling AS

Employed in the Odfjell Drilling Group since 2010

Appointed to current position in 2010

Mr. Lieungh holds an Msc in Mechanical Engineering from the University of Trondheim. He has held various management positions in the oil and gas industry and was previously CEO of Aker Solutions.

Atle Sæbø, Chief Financial Officer, Odfjell Drilling AS

Employed in the Odfjell Drilling Group since 1993

Appointed to current position in 1997

Mr. Sæbø holds a Msc. in Business Administration from Norwegian School of Economics (NHH). He has previously held leading positions with Fred. Olsen Offshore, Geco and Nevi Corporate.

Jone Torstensen, Executive Vice President, Chief of Staff

Employed in the Odfjell Drilling Group since 2012

Appointed to current position in 2012

Mr. Torstensen is educated in business economics and administration at Stavanger University College and the University of Bergen. He spent 18 years in Aker Kværner and Aker Solutions, during which Mr. Torstensen held various management positions across several departments including finance, project management and business development.

Kjetil Gjersdal, Executive Vice President, MODU

Employed in the Odfjell Drilling Group since 2000

Appointed to current position in 2016

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

Elisabeth Cecilie Haram, Executive Vice President, Odfjell Energy

Employed in the Odfjell Drilling Group since 2004

Appointed to current position in 2019

Ms. Haram holds a Master of Science degree in Industrial Economics from the University of Stavanger. She has held various management positions within Odfjell Drilling, such as Rig Manager, Operations Manager Platform Drilling Norway and Vice President Odfjell Well Services Norway. Ms. Haram has 17 years' experience within the offshore oil industry.

George Taggart, Executive Vice President, Well Services

Employed in the Odfjell Drilling Group since 2017

Appointed to current position in 2017

Mr Taggart has technical qualifications in electrical & mechanical engineering. He has 30 years' experience in the drilling systems and equipment industry. Mr. Taggart spent almost 20 years with Aker Solutions and MHWirth in business development, operations and regional management positions and on international assignments in Norway, Azerbaijan, UAE and the USA.

Michael Boysen Nielsen, Executive Vice President, Business Development

Employed in the Odfjell Drilling Group since 2015

Appointed to current position in 2015

Michael Boysen Nielsen holds a Bachelor degree in Marketing from Copenhagen Business School and exams in Strategy and Management from IMD Business School and London Business School. He has more than 20 years' experience in business development and marketing obtained whilst working for Maersk and Ocean Rig. Before joining Odfjell Drilling, Mr Nielsen was Senior Vice President, Contracts & Marketing of Ocean Rig.

Per Lund, CTO/EVP Technology and Sustainability

Employed in the Odfjell Drilling Group since 2013

Appointed to current position in 2018

Mr. Lund holds a Master of Science in Marine Technology from the Norwegian University of Science and Technology (NTNU). He has a broad background from within the oilfield industry in roles related to technology development, project and operational management, business development and management, in Norway and internationally. Prior to this, he held managerial positions in NCA and Oceaneering.

Diane Stephen, General Manager, Odfjell Drilling Ltd

Employed in the Odfjell Drilling Group since 2019

Appointed to current position in 2021

Mrs. Stephen holds a MA Hons degree in Accountancy from the University of Aberdeen and is a qualified Chartered Accountant with over 25 years experience in oil and gas services. She has a background in Finance and Accounting and has had several financial management positions in her career, including a period in the USA . Prior to joining Odfjell Drilling, she worked for Petrofac in the UK as Finance Director . As well as being General Manager, Mrs. Stephen also has responsibility for Global Business Services in the UK.

Janike A. Myre, Senior Vice President, QHSE

Employed in the Odfjell Drilling Group since 2002

Appointed to current position in 2011

Mrs. Myre is a business graduate from BI Norwegian Business School, and has completed master programs as well as executive management courses at BI. Mrs. Myre has more than 33 years' experience gained from leading positions in Gulf, Chevron, Sonat Offshore and Transocean.

Kurt Werner Holsæter, Senior Vice President, Human Resources

Employed in the Odfjell Drilling Group since 2018

Appointed to current position in 2018

Mr. Holsæter has a college education within innovation, IT and technology. He is a registered nurse of the national school of nursing and is an ex-Norwegian Army officer. Mr. Holsæter served 15 years in the army in various administrative and management positions. Prior to joining Odfjell Drilling, Mr. Holsæter was part of the management team in NOV Norway with strategic and operational responsibility for HR in Norway, Denmark and Poland.

Governance

Audit Committee Report

Role of the committee

The audit committee in Odfjell Drilling (the "Committee") is formally appointed by the Odfjell Drilling Ltd Board and comprises two non-executive directors, who provide a diverse range of competent perspectives based on their expertise and experience.

Key responsibilities

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

- understanding, assessing, and monitoring business risks and financial risks;
- monitoring annual and interim financial reporting;
- overseeing internal control and external audit activities;
- overseeing legal and regulatory compliance; and
- assessing the performance of internal control and external auditors.

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

Membership

The Committee consists of two members of the Board, one of which is considered to be independent and have competence in accounting or auditing. Susanne Munch Thore is chairperson of the Committee and independent of the executive management of the Company. The CFO shall act as secretary of the Committee.

Meetings and attendance

The Committee shall endeavour to fix in advance two meetings to be held each calendar year and interim meetings may be called if required.

The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. In 2020 the Committee held two meetings. The first meeting focused on the 4th quarter report 2019 and year end audit process. The second meeting focussed on the audit plan for 2020, status of the interim audit, including the auditor's assessment of internal control routines, and the 3rd quarter report.

The Committee keeps the Board informed of its activities and recommendations after each Committee meeting. 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 Committee meetings have focused on precise and accurately prepared quarterly reports based on consistent use of accounting principles defined by IFRS.

Documentation provided to the Committee as preparation for meetings included reports, memos and policies provided by accounting, tax and legal experts, both internal and externally sourced.

The Committee has focused on robust documentation of impairment testing of the mobile offshore drilling units, including the use of reasonable assumptions, estimates and judgement applied.

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 given consideration to all relevant laws, regulations, codes and any other applicable rules. During 2020 revised audit legislation was introduced in Norway relevant for companies listed on the Oslo Stock Exchange to be in force from 2021. The changes in legislation have been reviewed and required measures taken to fulfil new responsibilities for the audit committee and the audit committee charter was updated to reflect these changes. In conjunction with this work a review of the audit committee's constitution and terms of reference was conducted to ensure it is operating at maximum effectiveness.

Oversight of the coordination of the external auditors:

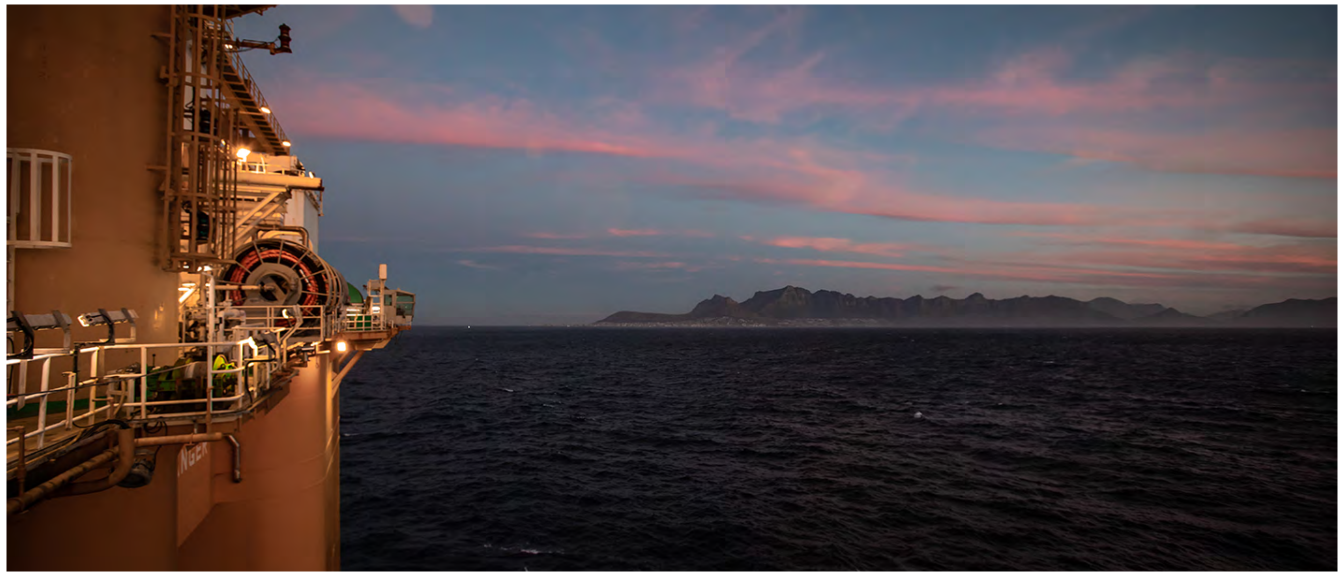
- Replacement of the assignment partner under rotation rules was done in 2020. Hallvard Aarø Jr had been the audit assignment responsible partner since the listing of the company in 2013. For the 2020 audit process a new partner, Marius Kaland Olsen, has been leading the audit engagement.
- Under the 2020 audit plan, the audit team staff were presented to the audit committee. The team was composed of individuals with a variety of special competence, expertise and experience.
- The audit committee has been overseeing the type and volume of other services provided by the audit firm. No indications were found that these services have had a negative impact on the auditors independence.

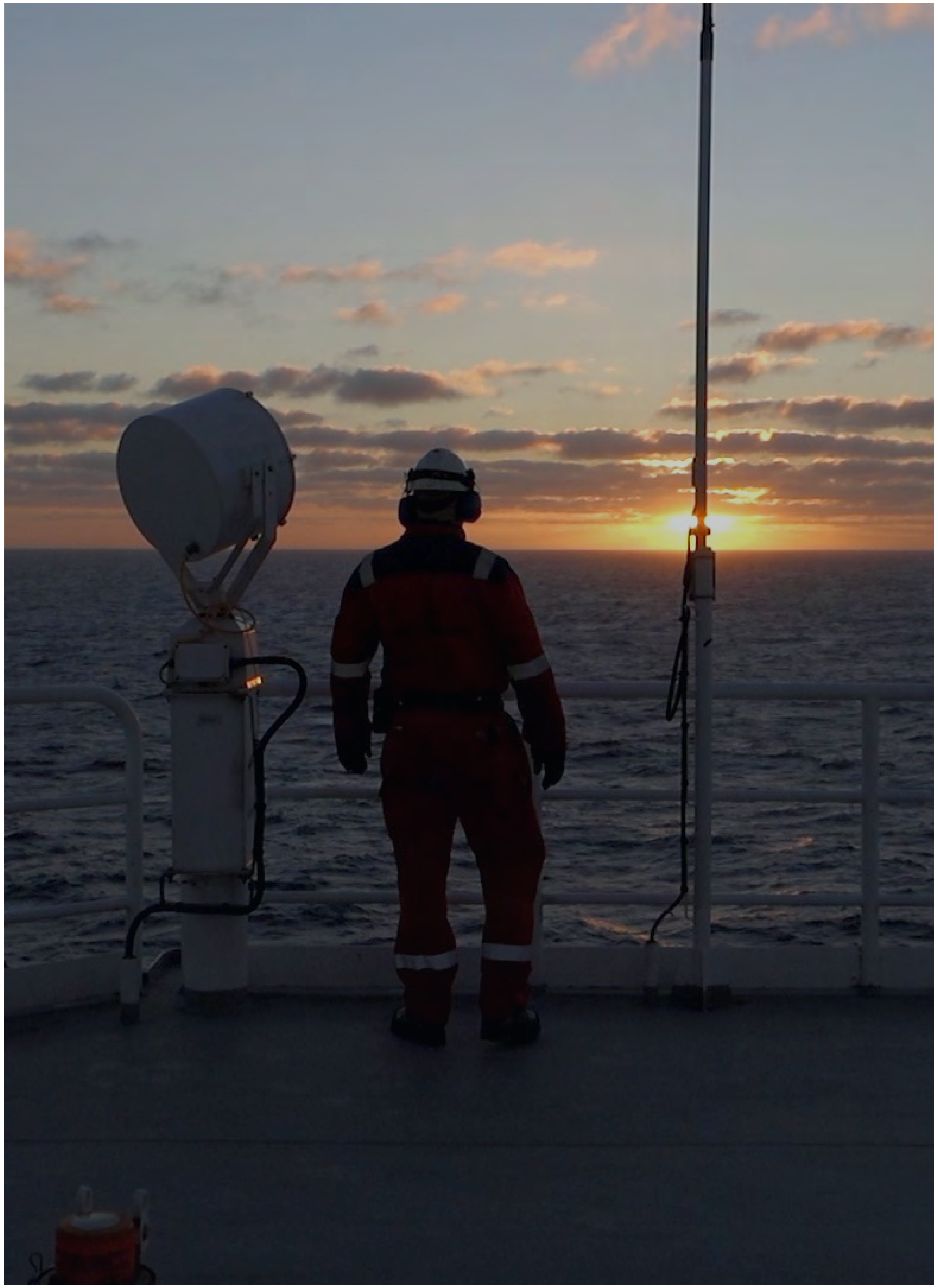
How internal control and risk management were assessed

- The audit committee used the auditor's report to the committee as the basis for understanding and improving the internal control system of the company.
- The audit committee has also requested the assessment of certain processes and how these have been dealt with, supported by external advice from professional advisors.

Financial statements and accounting practises

The annual financial statements for the year ended 31 December 2020, as well as the external auditor's management letter and management's response and the auditor's opinion were reviewed, and views of the committee were communicated to the Board prior to its approval.





Corporate Governance Report

Odfjell Drilling Ltd. (the "Company") is incorporated in Bermuda and is subject to Bermuda law. Its shares are listed at Oslo Børs, and certain aspects of its activities are therefore governed by Norwegian law. The Company is managed and controlled from the United Kingdom (UK), with the Company's head office being in Aberdeen, and the majority of the Board being UK resident, resulting in the Company being resident in the UK for tax purposes. The Company is also subject to the laws of the countries in which it at any time operates, as well as international law and conventions.

The Company seeks to comply with the applicable legal framework for companies listed on Oslo Børs and endorses the Code of Practice for Corporate Governance (Norwegian: *"Norsk anbefaling for eierstyring og selskapsledelse"*) issued by the Norwegian Corporate Governance Board, most recently revised 17 October 2018 (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 the following report.

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

Through good governance of the business, the Company seeks to create profitability and increased stakeholder value. One of the primary objectives of the governance framework is to have systems for communication, monitoring and allocation of responsibility, as well as appropriate management motivation, which contribute to increasing and maximising the Company's financial results, long-term success and returns to shareholders on their investments in the Company.

Governance Structure

Shareholders exercise their shareholder rights at General Meetings.

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

The General Meeting elects the members of the Board of Directors. Biographies of the Directors can be found at Board of Directors.

The Board of Directors convenes at least seven times per year. During the year ended 31 December 2020, the Board held thirteen meetings, attendance was as follows

Board & Committee Attendance

	Board	Audit Committee
Helene Odfjell	13/13	2/2
Susanne Munch Thore	13/13	2/2
Alasdair Shiach	13/13	N/A
Thomas Marsoner	13/13	N/A

Governance

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 represents a deviation from section 2 of the Code. The Company's and its subsidiaries' (collectively, the "Group") objectives and strategy are further described in the following:

The Odfjell Drilling Group is a Bermuda incorporated drilling contractor, managed and controlled from the United Kingdom, with more than 45 years of operational experience on the harsh environment Norwegian Continental Shelf (NCS). This experience has been used to expand internationally by offering a state-of-the-art fleet of mobile offshore drilling units to the harsh environment and ultra-deepwater markets along with engineering services, well services and platform operations.

The Odfjell Drilling Group's vision is to become a leading supplier of drilling units and drilling services designed to the highest environmental and safety standards in the offshore oil and gas industry, mainly for the ultra-deepwater and for the harsh environment markets. The Odfjell Drilling Group has a zero incident and failures objective and aims to be a trusted and leading partner for its blue chip clients.

By utilising its substantial track record of experience from operations in harsh environment and deepwater areas, and its ability to implement best practices based on experience and lessons learned, the Odfjell Drilling Group shall become a preferred partner for drilling operations, engineering projects and well services in its selected business regions.

The Board of Directors is responsible for the Company and Group's strategic planning, and determination of objectives, strategies and risk profile for the Group. The Board of Directors take account of and refer to these objectives and strategies when taking decisions. The strategies determined by the Board incorporate sustainability considerations including environment, social and governance aspects. Further detail can be read in our Sustainability Report. As a result of the strategic focus on sustainability, considerations relating to the Company's various stakeholders are integrated into the decision-making processes and into its value-creation. A framework of operational processes and procedures is in place and these support the implementation of the strategies which the Board has established.

Equity and Dividends

The Group had book equity of USD 1,199 million and a book equity ratio of 45% as of 31 December 2020. The Board of Directors regards the Group's present capital structure as appropriate and tailored to its objectives, strategy and risk profile.

The Company's long-term objective is to make distributions of net income in the form of dividends, and in the future the Company targets a long-term annual pay-out representing 30-40% of its net profit on a consolidated basis. The payment of any dividends will depend on a number of factors, including the market outlook, contract backlog, cash flow generation, capital expenditure plans and funding requirements, whilst maintaining adequate financial flexibility, as well as restrictions on the payment of dividends under Bermuda law and financial covenants, along with other factors the Board of Directors may consider relevant.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board of Directors has wide powers to issue any authorised but unissued shares of the Company on such terms and conditions as it may decide, and any shares or class of shares may be issued with preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return on capital, or otherwise as the Company may, by resolution of the shareholders, prescribe. This represents a deviation from section 3 of the Code. However, such issuance of shares by the Company from the authorised, but unissued, share capital is subject to prior approval given by resolution of the General Meeting of shareholders. Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board of Directors 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 has two classes of shares: common shares and 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 are redeemable and do not carry any voting rights, provided, however, that they may be given voting rights as a result of an event of default under the agreement between the Company and the preference shareholder pertaining to the issuance of the preference shares. Further, the preference shares entitle the holder to receive a preferred cash dividend and a cumulative Payment in Kind (PIK) dividend per annum.

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

In the event of not insignificant transactions between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or closely-related parties of any such parties, the Board of Directors will arrange for a valuation to be obtained from an independent third party. An independent valuation will also be carried out in the event of transactions between companies within the same group where any of the companies involved have minority shareholders.

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

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

Other than as set out above, the Company does not deviate from section 4 of the Code.

Freely Negotiable Shares

The Company's constituting documents do not impose any transfer restrictions on the Company's common shares. The Company's common shares are freely transferable in Norway, provided however, that the Bye-laws include a right for the Board of Directors 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). 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.

The Company's preference shares, which are not listed at Oslo Børs, were subject to a one-year lock-up which ended on 29 May 2019, and may for a five-year period thereafter only be transferred all together, subject to certain conditions (unless transferred to an affiliate of the preference share investor). As per the agreement with the preference share investor, the preference shares do not carry voting rights in the Company.

Other than this, the Company does not deviate from section 5 of the Code.

General Meetings

The Board of Directors seeks to ensure that the greatest possible number of shareholders may exercise their voting rights in the Company's general meetings and that the general meetings are an effective forum.

The Board of Directors ensures that:

- the notice, supporting documents and information on the resolutions to be considered at the general meeting are available on the Company's website no later than 21 days before the general meeting is held;
- the resolutions and supporting documentation, if any, are sufficiently detailed to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;

Governance

- the registration deadline, if any, for shareholders to participate at the general meeting is set as closely as practically possible to the date of the general meeting and pursuant to the provisions in the Bye-laws;
- the Board of Directors and the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board of Directors and committees, if applicable;
- the members of the Board of Directors and the auditor must be invited to attend the general meeting; and
- there are routines to ensure the independent chairing of the general meeting if resolved by the general meeting. In accordance with Bermuda law and the Bye-laws, the Chairman of the Board of Directors will chair the Company's general meetings unless otherwise resolved by a majority vote at the general meeting. This represents 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 in this respect:
    - 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; and
    - prepare a proxy form which shall, insofar as this is possible, be formulated in such a manner 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.

The Covid-19 pandemic during 2020 created some additional challenges in respect of the annual general meeting. In the exceptional circumstances and in accordance with UK restrictions and guidance surrounding the need to reduce physical meetings and to avoid unnecessary travel, shareholders were asked not to attend the Annual General Meeting in person and instead to vote by proxy.

Other than as mentioned above, the Company does not deviate from section 6 of the Code.

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.

Given the composition of the Board, namely that the Board is comprised entirely of non-executive directors and that 75% of the Board is considered independent, the Board of Directors considers that it is able to adequately fulfil the roles and responsibilities which would ordinarily be assigned to a nomination committee.

When a need arises to consider appointing a new or additional director, the Board of Directors will carry out a careful review of potential candidates, taking into account the need for a diverse mix of skills, talent and expertise, whilst also being mindful of the importance of independence. Where required, the Chairman and/or the Board of Directors will also engage the assistance of external advisors in order to ensure that a broad and balanced composition is maintained.

Other functions which otherwise are performed by a nomination committee including, succession planning for senior management, keeping up to date and informed about strategic issues and commercial changes in the market, reviewing the results of board performance evaluations and overseeing the expectations on non-executive directors in terms of time commitment, are all performed by the Board of Directors.

The Board of Directors - Composition and Independence

The Board of Directors is comprised of three independent non-executive directors plus the Chairman who is also the majority beneficial shareholder . All of the shareholder-elected members of the Board of Directors are independent of the Company's executive personnel. Three of the members of the Board of Directors are independent of the Company's major shareholder.

The Board is comfortable that there is no compromise to the independence of, and nothing to give rise to conflicts of interest, for those directors who also serve as directors on Odfjell Drilling's subsidiary boards. Further, the Board has no concerns surrounding the external appointments held by the Directors.

The chairman of the Board of Directors is determined in accordance with the Company's Bye-laws.

Additional information on the Directors can be read in the Board of Directors section where further details are provided on each director's background, skills and expertise. As of 31 December 2020, the Board of Directors consisted of four members, two male and two female, three of which are UK resident, possessing the relevant expertise, capacity and diversity as set out in the Code. The Board acts independently of the executive management of the Company and exercises proper supervision of the management of the Company and its operations. The Board held a total of 13 meetings in 2020. Each director attended every meeting during the year.

The Company does not deviate from section 8 of the Code.

The Work of the Board of Directors

The Board seeks to schedule in advance, physical meetings seven to nine times per calendar year, depending on the level of activity of the Company. Interim meetings may be convened if a need arises. During 2020, as a result of the Covid-19 pandemic, a number of the Board meetings had to be held virtually.

The Chairman is responsible for ensuring that the Board operates effectively and carries out its duties. She does this with assistance and support from the General Manager and Corporate Secretary. The agenda for Board meetings is prepared with input and dialogue between the Chairman, the General Manager, the Odfjell Drilling AS CEO, the Odfjell Drilling AS CFO and the Corporate Secretary.

The Board meetings are chaired by the Chairman unless otherwise agreed by a majority of the Directors attending. If the Chairman is not present, the Directors shall elect among themselves a Chair for the Board meeting. If the Chairman 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 regarding that particular matter.

The Board of Directors defines its own work, as well as that of the executive personnel. This is achieved by having in place a board charter which clearly defines matters which are reserved for the decision of the Board. Delegations by the Board are recorded in a combination of Board minutes, resolutions, powers of attorney and service agreements. Subsidiaries and their branches operate within decision making guidelines whereby there is agreement to involve the Board in matters of strategic importance to the Group. The Board of Directors is responsible for the Company's strategic planning, and defines clear objectives, strategies and risk profile for the business by (inter alia):

- identifying and establishing the Company's overriding goals, objectives and strategies, including approval and endorsement of plans and budgets;
- determining policies, monitoring and supervising the management of the Company and the business carried out by the Company;
- ensuring that the business of the Company and the Group, the accounts and the management of the assets of the Company are subject to adequate supervision and are conducted in accordance with applicable legislation;
- monitoring, reviewing and approving the annual and interim financial reporting, assessing the performance of internal controls and overseeing the external auditors and legal and regulatory compliance;
- taking decisions, endorsing decisions or authorising decisions to be taken, as appropriate, in matters that are of an unusual nature or of importance to the Company and the Group;
- assessing the effectiveness of the Company's policies on ethics, conflicts of interest and compliance with competition law; approving various decision guidelines for the Board and any other such manuals as the Board from time to time may adopt.

The Board has appointed a General Manager to undertake day to day management and activities of the Company. The Board oversees and supervises the General Manager.

Group operational activities are delegated to Odfjell Drilling AS. The Board maintains oversight of Group operational activities via regular reports made by the Odfjell Drilling AS Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). The duties and responsibilities of Odfjell Drilling AS are defined in a service agreement.

The General Manager, Odfjell Drilling AS CEO and Odfjell Drilling AS CFO are regular attendees at Company Board meetings. The Board review financial, operational and safety performance at each of its board meetings during the year through regular reports and updates presented to the board. These include operational updates, monthly financial reports, QHSE status reports, tenders and opportunities updates and quarterly & full-year results.

The Board has no member elected by and from the employees. The board charter, referenced

Governance

above, is equivalent to written instructions on the work of the Board and determination of matters which must be considered by the Board.

The Board has established an Audit Committee whose duties include supervising and reviewing the Company's annual and interim financial reporting. This committee consists of two Board members, one of which is considered to be independent.

The Company has not established a Remuneration Committee, but it should in this respect be noted that no member of the executive management is represented at the Board of Directors. Accordingly, the Board of Directors has not considered such committee to be necessary because decisions regarding compensation of executive personnel can be decided without executive involvement at Board meetings.

The Board has not established any other committees.

The Board of Directors undertook a self-evaluation in December 2020 and reviewed the results in January 2021.

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

Other than described above, the Company does not deviate from section 9 of the Code.

Risk Management and Internal Controls

The Board recognises its responsibility to secure appropriate risk management systems and internal controls.

The Company has comprehensive corporate manuals and procedures, which provide detailed descriptions of procedures for all aspects of managing the operational business. The procedures and manuals are continuously revised to incorporate best practice derived from experience or regulatory requirements and changes.

Routines have been established to secure frequent and relevant management reporting on operational matters, in order to ensure adequate information for decision-making and to respond quickly to changing conditions and requirements. The Company has established clear and safe communication channels between the employees and management to ensure effective reporting of any illegal or unethical activities in the Company, via a whistleblower reporting portal. More information on this is contained within the Sustainability Report.

The Board receives frequent and relevant reports on financial matters. Management reports covering both operational and financial matters are provided to the Board on a monthly basis. This ensures that the Board is continuously updated on both the capital and liquidity situation and the scope of the activities, and is able to immediately take any action deemed necessary.

These measures ensure that considerations related to the Company's various stakeholders are an integrated part of the Company's decision-making processes and value-creation. Please refer to the Sustainability Report which is available at www.odfjelldrilling.com

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

Further information on risk management systems and internal controls can be read within the How we manage Risk section.

The Company does not deviate from section 10 of the Code.

Remuneration of the Board of Directors

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

None of the members of the Board of Directors and/or companies with whom the Board members are associated have taken on specific assignments for the Group in addition to their appointments as members of the Board of Directors in 2020.

The remuneration to the members of the Board of Directors is set out in the Financial Statements at Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor.

The Company does not deviate from section 11 of the Code.

Remuneration of the Executive Management

Pursuant to Bermuda law and common practice for Bermuda incorporated companies listed in Oslo, the Board of Directors determines the remuneration of the executive personnel of the Company. The remuneration of the Executive Management for the financial year 2020 is reported at Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor.

Guidelines for the remuneration of executive management will be developed during 2021 and will be reported on in 2022.

Once the executive management remuneration guidelines are prepared and presented at the Annual General Meeting the Company will be compliant with Section 12 of the Code.

Information and Communication

The Company has established guidelines for reporting to the market, and is committed to provide timely and precise information to its shareholders, Oslo Børs and the financial markets in general (through Oslo Børs' 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 accordance with what is deemed most suitable. Within these communications, the Company attempts to clarify its long-term potential, including strategies, value drivers and risk factors. The Company maintains an open and proactive policy for investor relations. Detailed investor relations information, including contact information, is available on the Company website.

The Company publishes an annual, electronic financial calendar with an overview of the dates of important events such as the annual general meeting, publishing of interim reports and financial stockmarket presentations.

The Company discloses all inside information as legally required, unless exceptions apply and are invoked. The Company will provide information about certain events, e.g. dividends, amalgamations, mergers/demergers or changes to the share capital, the 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 enable the Board of Directors to develop a balanced understanding of the circumstances and focus of the shareholders. Such communication is carried out in compliance with the provisions of applicable laws and regulations.

Information to the Company's shareholders is posted on the Company's website at the same time that it is sent to the shareholders. Shareholders can contact the Company using a dedicated Investor Relations e-mail address (IR@odfjelldrilling.com).

The Company does not deviate from section 13 of the Code.

Take-Overs

The Company has established key principles for how to act in the event of a take-over offer. In the event of a take-over process, the Board of Directors will ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board of Directors will also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board of Directors will abide by the principles of the Code, and also ensure that the following take place:

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

The Board of Directors shall not attempt to prevent or impede the take-over bid unless this has been decided by the general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's common shares shall be kept freely transferable and that 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.

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

The Board of Directors shall consider whether to arrange a valuation from an independent expert. If any member of the Board of Directors, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board of Directors, is either the bidder or has a particular personal interest in the bid, the Board of Directors shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined herein Note 33 - Related parties - transactions, receivables, liabilities and commitments). Any such valuation should either be enclosed with the Board of Directors' statement, or reproduced or referred to in the statement.

The Company does not deviate from section 14 of the Code.

Auditors

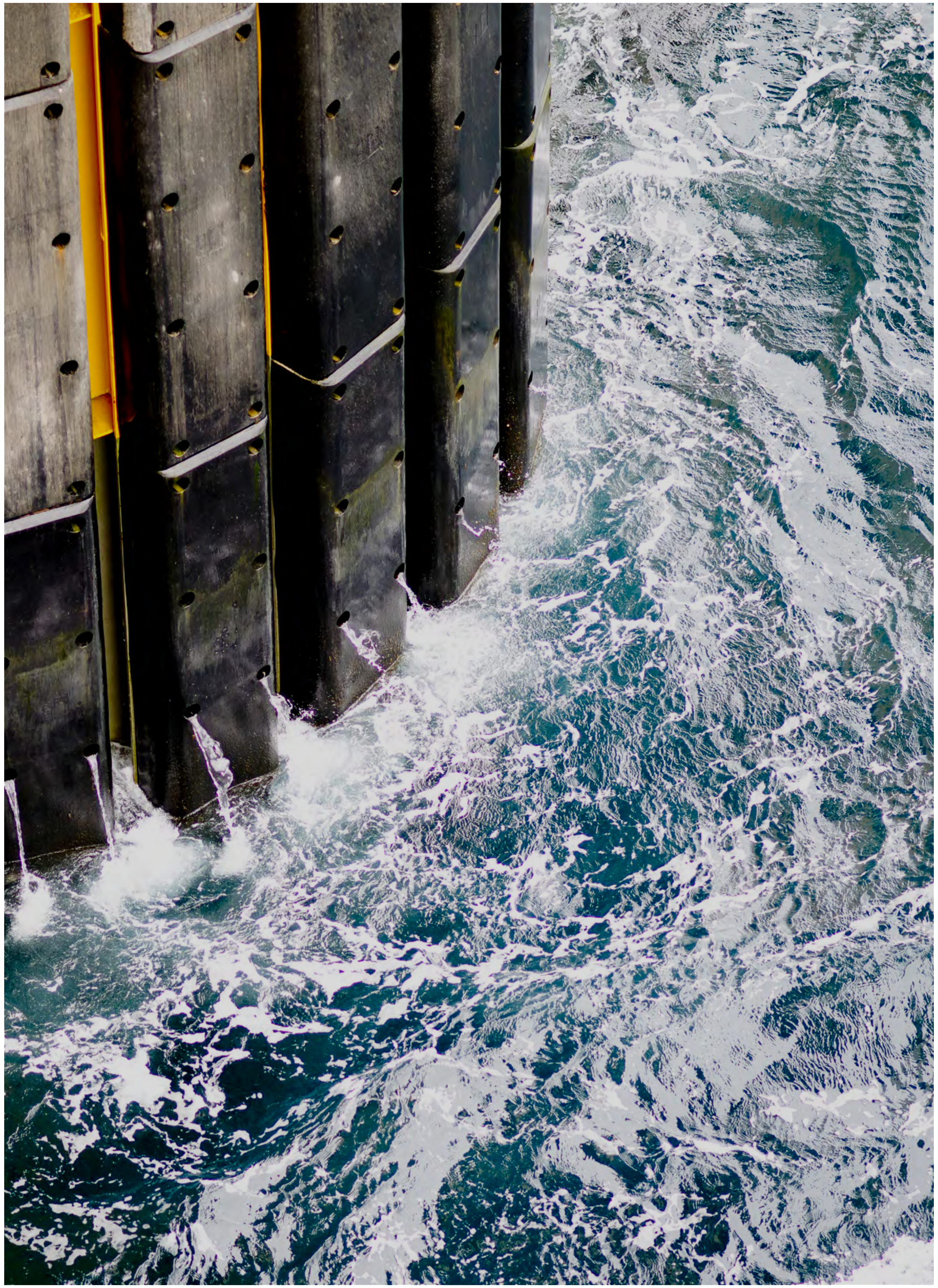
The Company's auditor was appointed by the shareholders at the general meeting on 22 June 2020. The shareholders authorised the Board of Directors to determine the auditor's annual remuneration.

The auditor participated in a meeting of the Board of Directors on 21 April 2020 in which the annual accounts were presented. During this meeting, the executive personnel left the meeting to allow the Board time with the auditor alone.

The auditor submitted the main aspects of the plan for the audit of the Company to the Audit Committee at its meeting on 20 November 2020. At this meeting, the auditor also presented a review of the Company's internal control procedures, including identified weaknesses and proposed improvements.

Processes are in place to ensure that the Company does not utilise the services of the appointed auditor for advice beyond certain thresholds determined by the Board and in law. The Board of Directors will inform the shareholders at the annual general meeting of the remuneration paid to the auditor, including details of the fee paid for auditing work and any fees paid for other specific assignments.

The Company does not deviate from section 15 of the Code.



Board of Directors Report

Odfjell Drilling Ltd., (the "Company") is the ultimate parent company of the Odfjell Drilling group, comprised of the Company and its subsidiaries (the "Group"). The Group is an integrated offshore drilling, well service and engineering business with more than 45 years' experience. The Group owns and operates a fleet of high quality mid-water to ultra-deep-water harsh environment mobile offshore drilling units. The Company has been listed on the Oslo Stock Exchange since 2013. The Group maintains a presence in several regions worldwide, supporting a client base consisting primarily of major oil and gas companies. The Group generated operating revenues of USD 930 million and a net profit of USD 143 million in 2020.

Business and Market Overview

History

Odfjell Drilling was founded in 1973 and began operating as a drilling contractor in 1974. Over the past 47 years the business has built a rock solid reputation as a trusted drilling partner and services supplier – one that is focused on delivering quality, value and results for its growing customer base.

The Group has extensive contracting experience covering all aspects of operations and the manning of fixed and mobile installations, well services and platform engineering work. Odfjell Drilling is a truly international business, currently conducting projects in more than 25 countries, and has operational expertise in semi-submersibles, jack-up platforms and drillships, as well as modular drilling and well intervention rigs. During 2020 we renamed our Drilling Technology and Platform Drilling business to Odfjell Energy.

Corporate Structure

The Company is incorporated in Bermuda with registered address at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and is tax resident in the United Kingdom with its head office at Bergen House, Crawpeel Road, Altens, Aberdeen, AB12 3LG.

Information regarding related parties can be found at Note 33 - Related parties - transactions, receivables, liabilities and commitments .

The Group is organised into three main business segments:

- Mobile Offshore Drilling Units (MODU)
- Energy
- Well Services (OWS)

Corporate Strategy

The mission of Odfjell Drilling is to continue 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 and Environment Management are considered by Odfjell Drilling to be of paramount importance. 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.

We continue to operate our onshore support centres working in real time collaboration. This philosophy defines not only the team-focused character of the Group, but also the way we run our rigs. Odfjell Drilling has invested in onshore support centres to operate as the nerve centres of our offshore rigs, providing the best technological and management support to back up the hands-on expertise of our colleagues at sea. This integrated approach delivers tangible benefits for our clients, namely:

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

Odfjell Drilling has 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

Core Values

Our core values are to be committed, safety conscious, creative, competent and result orientated.

Equity & shares

The Group had book equity of USD 1,199 million and a book equity ratio of 45% as at 31 December 2020.

The Company has only one class of ordinary shares, as well as preference 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.

Preference shares are issued to an affiliate of Akastor ASA. The preference shares do not carry any voting rights. The preference shares entitle the holder(s) to a preferred payment in kind dividend of 5% per annum capitalised semi-annually, as well as a cash dividend of 5% per annum paid semi-annually.

The Company's constituting documents do not impose any transfer restrictions on the Company's ordinary shares and the shares are freely transferable in Norway, except however, that the bye-laws include a right for the Board of Directors 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 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. The Company does not foresee that this provision will impact on the free transferability of its shares.

The number of ordinary shares issued in Odfjell Drilling Ltd. as at 31 December 2020 is 236,783,202.

On 30 May 2018 the Company issued warrants for 5,925,000 ordinary shares for a total consideration of USD 1.00. The warrants remain exercisable in six equal tranches from 2019 to 2024.

The Company has not established any share purchase program for employees as at 31 December 2020.

The Company is not aware of any shareholder agreements or any other agreements which limit trading of the Company's ordinary shares or voting rights as at 31 December 2020.

Taxation

The Company, and a number of its subsidiaries, are governed from and tax resident in the United Kingdom. Three out of our 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 overall 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 applicable 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 risk.

The tax strategy aligns to the Group's wider risk and control framework. Key risks and issues related to tax are escalated to and considered by the Group Audit Committee and Board of Directors on a regular basis. Additional information can be found within How we manage Risk.

The Group operates presently in approximately 25 countries and is exposed to a variety of tax risks as follows:

1. Tax compliance and reporting risks;
2. Transactional risks; and
3. Reputational risks

Tax risks are managed by oversight functions. Where appropriate, the Group looks to engage with tax authorities to disclose and resolve issues, risks and uncertain tax positions. The subjective nature of global tax legislation means that it is often not possible to mitigate all known tax risks. As a result, at any given time, the Group may be exposed to financial and reputational risks arising from its tax affairs.

Governance

Governance

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

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

Focus Areas

During 2020, Odfjell Drilling has continued to build upon initiatives set in previous years. We have also launched some new projects to ensure that we adapt to changes in the market. Odfjell Drilling strives to be competitive in everything that we do and to be resilient to external factors affecting the market.

Covid-19

The Covid-19 outbreak and downward shift in oil price, which both occurred during Q1 2020, have affected the global economy negatively. We have observed E&P companies taking measures to reduce their overall spending due to the uncertain situation.

The Covid-19 pandemic has had a significant impact on our business in terms of us having to adapt and adjust our ways of working. The pandemic necessitated a renewed focus on people and safety. Early in 2020, contingency and emergency planning got underway. A new section was added to our Company Management System to assist and navigate through the challenges being created by the pandemic. The project involved the creation of a vast number of new guidelines and procedures covering a large number of possible scenarios.

Odfjell Drilling has limited financial impact due to the Covid-19 outbreak as we acted quickly to implement required routines to limit the spread of the virus. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

Brexit

In preparation for the UK exiting the European Union, a project team was put in place to assess the implications and ensure that risks were identified and necessary actions were defined and managed. The cross-departmental project team completed impact assessments for, inter alia, Human Resources, Supply Chain, Corporate Structure, Tax, Information Technology and Data Protection and Legal. An action plan was produced which contained a responsibilities matrix and timeline.

Environment

In the context of sustainability and resilience, environmental impact was identified as one aspect which Odfjell Drilling could make a significant impact in. The main focus has been defining alternative routes to "zero emission drilling". This includes research and development of battery and hybrid solutions, assessment of alternative fuels, studies in drilling with onshore power and retrofit of carbon capture solutions.

More detail regarding our environmental credentials can be read in our Sustainability Report which is available at www.odfjelldrilling.com.

Energy

In October 2020, Odfjell Drilling decided to rename the Drilling & Technology segment to Energy. This renaming and enhanced collaboration within Energy creates opportunities for growth in our existing portfolio and new markets within the energy sector and other potential areas. Energy will continue to deliver platform drilling services and projects and engineering, but will also develop within new business areas where the strategy is to create a footprint within sustainable energy solutions. The name was chosen to emphasise the continuation of work in existing energy markets and also to represent an expansion into new energy related sectors. Energy now covers platform drilling, engineering, rig inspection services, technical integrity management services and development of new technology related concepts. Odfjell Energy is positioned to deliver a more complete offering to customers. More information can be read in the business model section of the Strategic Report at Energy.

Segment Overview

Activity in respect of the three main business segments is summarised below.

Mobile Offshore Drilling Units

The Group's owned semi submersible drilling units have performed drilling operations in Norway, the UK and South Africa during 2020.

Odfjell Drilling also offers management services for owners of semi-submersibles, jackups and drillships worldwide. The services include project management and follow-up during the construction phase, management of regulatory requirements, marketing and client relations, preparations for operation and drilling operations.

Despite the challenging market conditions, Odfjell Drilling has managed to secure several key new contracts and contract extensions during 2020. For details of contracts awarded, refer to Mobile Offshore Drilling Units in our Our Business section.

Deepsea Atlantic

The rig has been drilling on the Norwegian Continental Shelf (NCS) during 2020 under the Master Frame Agreement (MFA) with Equinor.

Deepsea Stavanger

The rig performed drilling operations for Aker BP on the NCS in the first quarter for 2020. Deepsea Stavanger thereafter completed the Total contract for drilling offshore South Africa after a very successful operation. Total made a gas condensate discovery offshore the coast of South Africa with Deepsea Stavanger in Q4 2020 and decided not to do any further drilling after the completion of the first well. Total compensated Odfjell Drilling for 180 days in operation, including the duration of the first well. The rig has now completed its demobilization to Norway and will commence its next five well contract with Aker BP in April 2021.

Deepsea Aberdeen

Odfjell Drilling Shetland Ltd received in September 2020 a notice of early termination from BP Exploration Operating Company Ltd of the contract for semi-submersible Deepsea Aberdeen. The contract was originally due to expire in April 2022. In accordance with the contract terms, Odfjell Drilling has thereafter been compensated with an early termination fee through monthly payments which will continue until April 2022. Concurrent with the BP termination, Odfjell Drilling was awarded a contract by Wintershall Dea Norge AS for use of the Deepsea Aberdeen on exploration wells at Dvalin North and Bergknapp fields and development wells at Vega field on the Norwegian Continental Shelf. The contract consists of four firm and three optional wells with an expected firm duration of approximately 300 days. The contract commenced in February 2021. As the Wintershall Dea contract falls within the original BP contract duration, BP shall be entitled to a reduction in termination fee payments while the Deepsea Aberdeen is operating for Wintershall. In total, Odfjell Drilling expects to maintain the same net cash flow as would have been the case with continued operations under the original BP contract.

Deepsea Bergen

The rig performed drilling operations for MOL until March 2020. In December 2020, the rig was disposed for recycling.

Deepsea Nordkapp

The rig has been drilling for Aker BP under the alliance agreement from commencement 10 May 2019 and through 2020 on the Norwegian Continental Shelf (NCS). The original contract was for 2+1+1 year. Aker BP exercised the first optional year in December 2019 taking firm operations to June 2022.

Energy

Through 2020, Energy (and its heritage component businesses) delivered strong commercial performance. Whilst restructuring and refocussing operations for the future, the business has continued to be a major provider of drilling and maintenance services on oil and gas production facilities for international Exploration & Production companies. We have provided, and will continue to provide, integrated drilling services including onshore support, production drilling and completion, well maintenance, plugging and abandonment, facility maintenance planning and project management for maintenance and modifications.

The Covid-19 pandemic, together with the low oil price, created market uncertainties and increased volatility. A number of platform shut downs and

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project postponements impacted operations. However, the negative financial impact has been limited.

Well Services

Odfjell Well Services provides the most up to date technology available for hands-free tubular running operations, high specification drilling tubulars and market-leading downhole tools. In addition, we have a vast equipment inventory and our in-house engineering is highly specialised in the development of new technology. Our business has a global presence with over 12 operating bases servicing contracts in over 25 countries, positioning Odfjell Well Services as a leading company in the front line of our industry.

The Well Services business has been significantly impacted by the Covid-19 pandemic, predominately due to the geographical reach of the business and the need for international movement and cross border activity. 2020 has been challenging, demanding and unpredictable but in coping with turbulent market conditions, Well Services has demonstrated a robustness and an ability to adapt and cope with adversity.

More detail regarding the activities of each business segment can be found in the Strategic Report.

Outlook

The drilling and oil service market has developed positively in recent years due to strong focus on cost discipline and more efficient operations, combined with a healthier oil price development. We have over time observed an increased appetite for field development and production spending across the segment, however with some regional differences.

The negative developments in 2020, with the Covid-19 outbreak and the drop in the oil price, have however increased the uncertainty within the drilling and oil service market. Although the oil price has recently recovered, we note that the oil companies globally have adjusted their activities for the short to medium term. Additionally, the strong shift in the energy discussion towards renewable sources has created discussion about energy composition for the future.

The general situation for the global offshore industry is challenging with oversupply in several segments, caused by the challenges previously mentioned in the section above. We observe that several of the global offshore drilling contractors are, or will likely be, in restructuring processes during 2021. The oversupply issues are mainly tied to ultra deep water and benign water segments - the harsh environment segment looks very different.

We consequently expect the overall utilization of the global drilling fleet to remain at low levels, particularly for those segments with high overcapacity. For the harsh environment market, where Odfjell Drilling operates, the utilisation outlook looks sound and in balance. Additionally, the strong focus on high efficiency, combined with low emissions, favour contractors with such capabilities and focus.

Odfjell Drilling benefits from having a modern fleet of high-end harsh environment 6th generation units and strategic frame agreements with major oil companies operating in harsh environments. Our Group has been successful in adding more backlog due to our operational track record and strong client relationships combined with a healthy balance sheet. The Norwegian government has granted a temporary tax incentive scheme tailored for E&P companies on the NCS which will trigger increased activity over the next few years.

Deepsea Atlantic is currently operating for Equinor under the Master Frame Agreement (MFA), with firm operations to Q2/Q3 2021. Equinor continues to add wells under the continued optionality mechanism in the overall Master Frame Agreement and we expect this to continue until the commencement of the Johan Sverdrup phase 2 drilling campaign which is expected to commence in Q1 2022.

After a successful drilling campaign in South Africa for Total, Deepsea Stavanger is now back in Norway and is currently preparing for its next contract with Aker BP in April this year. Following this, Lundin has awarded a 3+6 well contract to Deepsea Stavanger.

Deepsea Aberdeen commenced the Wintershall contract mid February 2021 and we expect the operations to end back to back with the awarded Breidablikk contract commencing spring 2022. Deepsea Aberdeen will thereafter commence a long term contract with Equinor for the Breidablikk development campaign consisting of 15 firm wells plus nine optional wells. The contract is subject to PDO approval.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The firm period, after exercise of the first option, will take the unit to end of Q2 2022, with an additional one year option.

OWS is still facing fierce competition for its services globally. We have observed an increase in operational activity in the Norwegian market, and expect in the short to medium term to face an overall increase in activity level for OWS. The Covid-19 pandemic may impact the market improvement.

Lastly, the Energy segment has experienced an increase in demand for its services over the period related to Special Period Surveys. In general, the market for platform drilling activities has traditionally been stable during the last decade.

Financial Reviews

Consolidated Accounts

(Comparable figures in brackets)

Income Statement

Odfjell Drilling generated operating income of USD 930 million in 2020 (USD 823 million), an increase of 13% .

The operating profit (EBIT) amounted to USD 216 million (USD 147 million). The increase of USD 69 million is mainly due to increased EBIT from the MODU segment, primarily due to drilling operations in South Africa.

Net financial expenses amounted to USD 71 million (USD 103 million). The decrease in net expenses of USD 32 million from 2019 to 2020 was explained by reduced interest expenses and change in fair value of derivatives.

The income tax expense amounted to USD 2 million (USD 3 million) and the net profit for the Group was USD 143 million (USD 41 million).

Total comprehensive income was USD 139 million (USD 42 million).

Balance Sheet

Consolidated total assets as at 31 December 2020 amounted to USD 2,640 million (USD 2,686 million).

Total non-current assets amounted to USD 2,236 million (USD 2,313 million).

Current assets amounted to USD 405 million (USD 373 million), of which USD 207 million was cash and cash equivalents (USD 170 million).

Total equity amounted to USD 1,199 million (USD 1,062 million), an increase of USD 137 million. The equity ratio was 45% (40 %).

Total liabilities amounted to USD 1,442 million (USD 1,624 million), reflecting a decreased interest-bearing debt of USD 178 million. Net interest bearing debt (excluding lease liabilities) amounted to USD 1,005 million (USD 1,221 million). In addition, lease liabilities (*IFRS 16 Leases)* amounting to USD 45 million (USD 47 million).

Cash Flow

Cash flow from operating activities amounted to USD 346 million (USD 198 million). The variance of USD 130 million from EBIT in 2020 is mainly explained by depreciation and amortization offset by interest paid.

The cash outflow from investing activities amounted to USD 113 million (USD 428 million), mainly due to capital expenditures.

The cash out flow from financing activities amounted to USD 193 million (cash flow of USD 231 million). The Group paid USD 214 million in instalments on credit facilities and leases in 2020, while USD 25 million was drawn on the Odfjell Invest junior facility.

Critical Accounting Estimates

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

The Group has calculated the value in use of all mobile drilling units as at 31 December 2020, using financial models which calculate and determine the value in use through a combination of actual and expected cash-flow generation discounted to present value. In measuring value in use, the Group has based its calculation on reasonable and supportable assumptions that represent management's best estimate for the range of economic conditions that will exist over the remaining useful life of the asset.

An analysis in Consolidated Financial Statement Note - 12 Tangible fixed assets demonstrates that the impairment assessment is sensitive to

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changes in key assumptions. Based on the value in use calculations, the Group has not identified any impairment for rigs or reversal of previous impairment adjustments in relation to the 6G rigs Deepsea Atlantic and Deepsea Stavanger, as at 31 December 2020.

There is use of judgement in the Group's revenue recognition, and the judgemental items include evaluation of whether the customer option represents a material right that gives rise to a performance obligation, and if so, to estimate the stand-alone selling price of the option. Further, the judgement is based on the decision of whether to include the incentive bonus element in the transaction price, and to estimate the variable consideration, if included. In addition, the progress towards complete satisfaction of the performance obligation at the end of the reporting period is estimated, as the completion date of the drilling period is unknown at the end of the reporting period.

Please refer to Note - 5 Critical accounting estimates and judgements in the Consolidated Financial Statements for further information about critical accounting estimates and judgements.

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 a net profit for the period of USD 14 million (net loss USD 2 million). The profit for 2020 was mainly due to dividends from subsidiaries, change in fair value of the warrant liability and reversal of impairment of investment in subsidiaries. The same factors explains the change from 2019.

Total assets in the Parent Company amounted to USD 1,385 million as at 31 December 2020 (USD 1,387 million).

Equity in the Parent Company amounted to USD 1,046 million (USD 1,036 million), corresponding to an equity ratio of 76% (75%).

Cash flow from operating activities was USD 1 million (cash outflow USD 6 million).

Cash flow from investing activities was USD 19 million (cash flow USD 65 million). The cash flow in 2020 was proceeds received from subsidiaries related to dividends and non-current receivables.

Cash outflow from financing activities was USD 27 million (cash outflow USD 67 million). The cash outflow in 2020 is explained by payments on borrowing facilities from subsidiaries, in addition to payment of preference dividends.

Segment Reporting

Mobile Offshore Drilling Units

Operating revenue for the MODU segment in 2020 was USD 704 million (USD 599 million), an increase of USD 105 million. The main variations are explained by the successful operation of Deepsea Stavanger in South Africa and the first full year operations for Deepsea Nordkapp in 2020, partly offset by lower revenue contribution from Deepsea Bergen which finished its last contract in March 2020. All income in connection with Deepsea Stavanger's operation for Total in South Africa, including demobilisation fees, has been recognised in 2020, while some of the demobilisation cost will be expensed in 2021.

EBITDA for the MODU segment in 2020 was USD 375 million (USD 291 million), an increase of USD 84 million. The main variations are the same as explained above.

EBIT for the MODU segment in 2020 was USD 206 million (USD 138 million), an increase of USD 68 million.

Energy

Operating revenue for the Energy segment in 2020 was USD 156 million (USD 147 million), an increase of USD 9 million compared to 2019. The increase is attributable to changes in contract portfolio in Platform Drilling and increased delivery of engineering and execution work due to more yard stays for the MODU segment in 2020.

EBITDA for the Energy segment in 2020 was USD 15 million (USD 17 million), a decrease of USD 2 million compared to 2019. The EBITDA margin for the Energy segment in 2020 was 10% (12%).

EBIT for the Energy segment 2020 was USD 15 million (USD 17 million).

Well Services

Operating revenue for the OWS segment in 2020 was USD 104 million (USD 111 million), a decrease of USD 7 million. The Norwegian market has improved from last year whereas in the other European countries and Middle East, Asia and Africa region (MEAA region) the operations have been impacted by restrictions and delays due to the Covid-19 pandemic.

EBITDA for the OWS segment in 2020 was USD 32 million (USD 32 million). EBITDA margin for the OWS segment in 2020 was 31% (29%). Despite the Covid-19 challenges faced during 2020, the Norwegian market has seen a significant improvement compared to 2019, partly offset by lower activity in other areas as described above.

EBIT for the OWS segment in 2020 was USD 7 million (USD 9 million).

Risk Review

Operational and Industrial Risk Factors

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

The Group seeks to mitigate these risks by securing contracts with reputable customers 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 deemed adequate to limit these risks.

Furthermore, as the Group's fully owned fleet currently consists of only four in operation, any operational downtime or any failure to secure employment at satisfactory rates will affect the Group's results more significantly than for a group with a larger fleet.

Factors that, in the Group's view, could affect its results materially are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in clients' spending budgets plus developments in the financial markets.

The current market conditions and contract situation for the Group's mobile offshore drilling units also affect the liquidity risk and covenant risk, since reduced revenues from drilling operations will directly affect the operating results, cash flow from operations and hence liquidity. The Group seeks to mitigate the current market, liquidity and re-contracting risk by securing new drilling contracts for units that will end their respective drilling contract during 2021 and by (i) further cost reduction and efficiency improvement programmes and (ii) focus on capital discipline.

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

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.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and to have sufficient cash or cash equivalents at any time to be able to finance its operations and investments in accordance with the Group's strategic plan.

Odfjell Drilling held cash and cash equivalents amounting to USD 207 million at the end of 2020. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2021.

The liquidity risk is connected with the market risk and the re-contracting risk for mobile drilling units. The management continuously focuses on securing new profitable contracts for the Group's mobile drilling units to generate sufficient cash flow from operations, hence reducing the liquidity risk going forward.

Operating in more than 25 jurisdictions, Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. The Group has as at 31 December 2020 not received any formal material assessment which is not recognised in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Group's favour. See Note - 10 Income Taxes for further information.

The Group's refinancing risk is diversified with each loan facility maturing at different times up to January 2024. The Group has one facility maturing in 4Q 2021. In addition, the commercial tranche of the Deepsea Aberdeen facility matures in 4Q 2021. The group is in discussions regarding an extension of both maturities. See Note - 19 Interest-bearing borrowings for further information about maturity of contractual amounts.

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 2021, as all units in the fleet have medium to long-term contracts.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and NOK. The group is exposed to risks due to fluctuations in exchange rates, especially as charter contracts are normally 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.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. Apart from the GIEK / Export Credit tranche of the Deepsea Aberdeen facility, none of the Group's borrowings are at fixed 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 regularly considers the 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 2020 is approximately 55%.

Credit risk

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

Included in the Trade receivables as at 31 December 2019 and 31 December 2020, the Group has an outstanding amount of USD 4.6 million from clients in Iran. The Group's activities in Iran ceased prior to reinforcement of US sanctions early November 2018. No payments have been received after this date, due to no current efficient bank channels out of Iran. The Iranian clients are working on improving the liquidity situation and finding appropriate payment routes. The Group's Iranian clients have previously demonstrated that they prioritize supplier payments, and although delayed, they have historically paid their outstanding debt. No impairment loss has been accrued for these Trade receivables as at 31 December 2020.

Going Concern

Going Concern Assumption

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

When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log. The volatility in market capitalisation for the oil and gas service providers over the past few years has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may be restricted to the Group in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

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

Subsequent Events

More work for Deepsea Atlantic

Equinor has on 18 January 2021, 17 March 2021 and 22 March 2021, respectively, exercised three additional wells to Deepsea Atlantic. The wells have been exercised under the Continued Optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. The work will be performed in Q2 and Q3 2021 back to back with the current scope. The commercial terms are materially the same as for the recently announced Johan Sverdrup Phase 2 contract award.

Lundin awards letter of intent to Deepsea Stavanger

Lundin Energy Norway and Odfjell Drilling have, on 25 January 2021, signed a letter of intent for the use of Deepsea Stavanger. The letter of intent was formalised into a contract on 2 March 2021. The contract is set to commence in Q3 2021, back-to-back with Deepsea Stavanger's five well contract with Aker BP. The contract has a duration of three firm wells plus six optional wells and has an estimated contract value of approximately USD 33 million plus incentives.

Odfjell Platform Drilling and Maintenance Contract Award

TAQA in the UK has on 19 March 2021 awarded Odfjell Drilling (UK) Limited ("Odfjell Drilling") a five-year contract for the provision of Platform Drilling & Maintenance Services on its North Sea installations including North Cormorant, Harding, Tern Alpha, Brae Alpha and East Brae. Odfjell Drilling is the incumbent Platform Drilling & Maintenance Services contractor for three of these installations under a contract awarded in 2017 and this new agreement will replace the existing contract, with the addition of Brae Alpha and East Brae. The new contract will be effective from June 15th 2021.

AkerBP exercised fourth year for Deepsea Nordkapp:

AkerBP has on 22 March 2021 exercised the second 12-month option for Deepsea Nordkapp under the Contract entered into between the parties on April 2018. The second 12 month option shall commence after expiry of the first optional period in June 2022. The approximate contract value for the exercised optional scope is USD 109 million (excluding any integrated services). In addition, a performance bonus will be applicable.

Please see Note 30 - Events after the reporting period

The Board of Odfjell Drilling Ltd.
21 April 2021, Aberdeen, United Kingdom

Helene Odfjell Chairman	Susanne Munch Thore Director	Alasdair Shiach Director	Thomas Marsoner Director	Diane Stephen General Manager

Financials

Consolidated Income Statement

for the year ended 31 December

USD thousands	Note	2020	2019
Operating revenue	6,7	929,739	823,195
Total operating income		**929,739**	**823,195**
Other gains and losses	9	2,531	1,312
Total other items		**2,531**	**1,312**
Personnel expenses	8,21,35	(340,303)	(328,353)
Depreciation, amortisation and impairment loss	11,12	(203,962)	(185,192)
Other operating expenses	9	(171,563)	(164,395)
Total operating expenses		**(715,828)**	**(677,940)**
Operating profit (EBIT)		**216,441**	**146,567**
Interest income	9	636	2,661
Interest expenses	9,19,20	(71,841)	(91,759)
Other financial items	9	408	(13,664)
Net financial expenses		**(70,798)**	**(102,762)**
Profit before income tax		**145,643**	**43,805**
Income tax expense	10	(2,339)	(2,984)
Profit		**143,304**	**40,820**
Profit/(loss) attributable to:			
Non-controlling interests		(73)	-
Owners of the parent		143,377	40,820
Earnings per share (USD)			
Basic earnings per share	36	0.57	0.14
Diluted earnings per share	36	0.57	0.14

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2020	2019
Profit / (loss) for the period		**143,304**	**40,820**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain / (loss) on post employment benefit obligations	10,21	(2,039)	(304)
Total		**(2,039)**	**(304)**
Items that are or may be reclassified to profit or loss:			
Cash flow hedges	26	(7,303)	1,124
Currency translation differences		4,837	446
Total		**(2,465)**	**1,569**
Other comprehensive income, net of tax		**(4,504)**	**1,265**
Total comprehensive income		**138,799**	**42,085**
Total comprehensive income is attributable to:			
Non-controlling interests		(21)	-
Owners of the parent		138,820	42,085

Items in the statement above are disclosed net of tax. The income tax relating to each item of other comprehensive income is disclosed in Note - 10 Income Taxes.

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

Consolidated Statement of Financial Position

USD thousands	Note	31.12.2020	31.12.2019
Assets			
Intangible assets	11	28,892	29,678
Deferred tax asset	10	1,040	777
Property, plant and equipment	12	2,203,387	2,280,867
Derivative financial instruments	15,24	-	1,606
Other non-current assets	13	2,588	120
Total non-current assets		**2,235,908**	**2,313,048**
Spare parts	14	2,066	1,873
Contract assets	16	9,898	9,392
Trade receivables	17	161,889	174,158
Other current assets	13	23,834	18,231
Cash and cash equivalents	18	206,895	169,694
Total current assets		**404,583**	**373,348**
Total assets		**2,640,491**	**2,686,396**
Equity and liabilities			
Paid in equity	25	564,959	564,959
Other equity	26	632,909	497,419
Total equity attributable to owners of the parent		**1,197,868**	**1,062,378**
Non-controlling interests		636	-
Total equity		**1,198,503**	**1,062,378**
Non-current interest-bearing borrowings	19,27	695,792	1,173,882
Non-current lease liabilities	20	36,920	38,901
Post-employment benefits	21	6,902	7,725
Non-current contract liabilities	16	3,688	1,559
Derivative financial instruments	15,24	16,623	9,663
Total non-current liabilites		**759,925**	**1,231,730**
Current interest-bearing borrowings	19,27	515,799	216,581
Current lease liabilities	20	7,633	7,757
Contract liabilities	16	14,003	39,265
Trade payables	22	52,667	46,168
Current income tax	10	367	593
Other current liabilities	23	91,594	81,924
Total current liabilities		**682,063**	**392,288**
Total liabilities		**1,441,987**	**1,624,018**
Total equity and liabilities		**2,640,491**	**2,686,396**

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

The Board of Odfjell Drilling Ltd.
21 April 2021, Aberdeen, United Kingdom

Helene Odfjell	Susanne Munch Thore	Alasdair Shiach	Thomas Marsoner	Diane Stephen
Chairman	Director	Director	Director	General Manager

Consolidated Statement of Changes in Equity

USD thousands	Note	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Common shares	Preference shares	Non-controlling interest	Total equity
		Attributable to owners of the parent					Owners equity attributable to:			
Balance at 1 January 2019		2,529	562,430	(110,142)	568,856	**1,023,673**	946,464	77,209	-	**1,023,673**
Profit for the period		-	-	-	40,820	**40,820**	33,003	7,817	-	**40,820**
Other comprehensive income for the period		-	-	1,569	(304)	**1,265**	1,265	-	-	**1,265**
Total comprehensive income for the period		-	-	1,569	40,516	**42,085**	34,268	7,817	-	**42,085**
Cash dividend to preference shareholders		-	-	-	(3,909)	**(3,909)**	-	(3,909)	-	**(3,909)**
Cost of share-based option plan	35	-	-	528		**528**	528	-	-	**528**
Transactions with owners		-	-	528	(3,909)	**(3,381)**	528	(3,909)	-	**(3,381)**
Balance at 31 December 2019		**2,529**	**562,430**	**(108,045)**	**605,464**	**1,062,378**	**981,260**	**81,118**	**-**	**1,062,378**
Profit/(loss) for the period		-	-	-	143,377	**143,377**	135,164	8,213	(73)	**143,304**
Other comprehensive income for the period		-	-	(2,518)	(2,039)	**(4,557)**	(4,557)	-	53	**(4,504)**
Total comprehensive income for the period		-	-	(2,518)	141,338	**138,820**	130,607	8,213	(21)	**138,799**
										-
Cash dividend to preference shareholders		-	-	-	(4,107)	**(4,107)**	-	(4,107)	-	**(4,107)**
Non-controlling interets on acquisition of a subsidiary					-	**-**	-	-	549	**549**
Transactions with non-controlling interests					247	**247**	247	-	108	**355**
Cost of share-based option plan	35	-	-	529	-	**529**	529	-	-	**529**
Transactions with owners		-	-	529	(3,859)	**(3,330)**	776	(4,107)	656	**(2,674)**
Balance at 31 December 2020		**2,529**	**562,430**	**(110,034)**	**742,942**	**1,197,868**	**1,112,644**	**85,224**	**636**	**1,198,503**

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

Consolidated Statement of Cash Flows

for the year ended 31 December

USD thousands	Note	2020	2019
Cash flows from operating activities:			
Profit / (loss) before tax		145,643	43,805
Adjustments for:			
Depreciation, amortisation and impairment loss		203,962	185,192
Change in fair value derivatives		(4,440)	9,757
Interest expense - net		65,906	77,642
Amortised transaction costs borrowings		5,300	11,456
Net (gain)/loss from shares and other financial investments		-	(915)
Net (gain) / loss on sale of tangible fixed assets		(2,531)	(1,364)
Post-employment benefit expenses less post-employment benefit payments		(3,314)	(2,488)
Net currency loss / (gain) not related to operating activities		(4,778)	991
Other provisions and adjustments for non-cash items		6,413	1,371
Changes in working capital:			
Spare parts		(170)	(310)
Trade receivables and contract assets		13,905	(80,192)
Trade payables		(3,374)	(5,129)
Other accruals		(6,936)	38,991
Cash generated from operations		**415,584**	**278,808**
Interest paid		(66,648)	(77,940)
Net income tax paid		(3,194)	(2,549)
Net cash flow from operating activities		**345,743**	**198,319**
Cash flows from investing activities:			
Purchase of property, plant and equipment	11,12	(114,047)	(425,579)
Capitalised interest paid		-	(7,027)
Proceeds from sale of property, plant and equipment		3,130	3,345
Other non-current receivables		(2,461)	46
Cash used in obtaining control of subsidiaries		(100)	-
Proceeds from transactions with non-controlling interests		355	-
Proceeds from financial investments incl. joint ventures		-	967
Net cash flow used in investing activities		**(113,123)**	**(428,247)**
Cash flows from financing activities:			
Net proceeds from borrowings financial institutions	19	25,000	805,162
Repayments of borrowings to financial institutions	19	(208,211)	(564,253)
Repayment of lease liabilities	20	(5,822)	(6,297)
Dividends paid to preference share holders		(4,107)	(3,909)
Net cash flow from financing activities		**(193,139)**	**230,704**
Effects of exchange rate changes on cash and cash equivalents		(2,279)	(5,843)
Net change in cash and cash equivalents		**37,201**	**(5,067)**
Cash and cash equivalents at 01.01		169,694	174,761
Cash and cash equivalents at 31.12		**206,895**	**169,694**

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements 2020

All amounts are in USD thousands unless otherwise stated

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Consolidated Group Financial Statements

Note - 1 General information

Odfjell Drilling Ltd., and its subsidiaries (together 'the Group') operates mobile offshore drilling units in addition to providing well services and drilling & technology services.

Odfjell Drilling Ltd., is incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Odfjell Drilling Ltd's head office is at Bergen House, Crawpeel Road, Aberdeen, Scotland, United Kingdom and the Company is tax resident in the United Kingdom.

The consolidated financial statements including notes for Odfjell Drilling Ltd. for the year 2020 were approved by the Board of Directors on 21 April 2021.

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 2020 comply with IFRS as endorsed by the European Union (EU).

The consolidated financial statements ended 31 December 2020 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. The assessment regarding the going concern assumption is disclosed in Note - 5 Critical accounting estimates and judgements.

Basis of measurement

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in each relevant note.

Consolidated Group Financial Statements

New and amended standards and interpretations effective after 1 January 2020 that have been adopted by the Group

- *Definition of Material – amendments to IAS 1 and IAS 8*

- *Definition of a Business – amendments to IFRS 3*

- *Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7*

- Revised *Conceptual Framework for Financial Reporting*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are all entities over which the Group has control. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Material subsidiaries are listed in Note 31 - Interests in other entities - Material subsidiaries.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may indicate that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Any investment retained is recognised at fair value.

The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Foreign currency translation

(a) Functional and presentation currency

Items included in the separate financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in USD (in thousands), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly exchange rates for the month the transactions are recognised.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other financial items'.

(c) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency (USD) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

	Average rate		Closing rate as at 31.12	
	2020	**2019**	**2020**	**2019**
NOK	0.10609	0.11360	0.11720	0.11389
GBP	1.28175	1.27688	1.36491	1.32041
EUR	1.13944	1.11945	1.22709	1.12340

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, when it is held primarily for the purpose of trading, when it is expected to be realised within twelve months after the reporting period, or when it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, when it is held primarily for the purpose of trading, when it is due to be settled within twelve months after the reporting period, or when there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Statement of cash flows

The statement of cash flows is prepared under the indirect method. Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2020 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note - 3 Significant events and transactions in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

Drilling in South-Africa

Deepsea Stavanger has in 2020 completed the Total contract for drilling offshore South Africa after a successful operation. Total made a gas condensate discovery offshore the coast of South Africa with Deepsea Stavanger in Q4 2020 and decided not to do any further drilling after the completion of the first well. Total compensated Odfjell Drilling for 180 days in operation, including the duration of the first well. The rig completed its demobilization to Norway in January 2021.

The successful project in South Africa made a significant contribution to operating revenue and operating profit for Odfjell Drilling in 2020.

Please note that any cost incurred in Q1 2021 related to the demobilization from South Africa, will be expensed in Q1 2021.

Drilling contracts awarded

On 26 February 2020, Equinor exercised two optional wells for Deepsea Atlantic under the Master Frame Agreement. The wells have been awarded under the Continued Optionality mechanism in the Contract entered into between the parties in May 2018.

Equinor awarded, on 7 July 2020, a letter of intent to Odfjell Drilling for the drilling and completion of Sverdrup Phase 2 with Deepsea Atlantic. The final contract was entered into on 21 November 2020. The contract is set to commence in Q1 2022 with a duration of 12 firm wells plus 5 optional wells. The approximate contract value for the firm scope is up to USD 150 million (excluding any integrated services, modifications/upgrades and mobilisation/demobilisation fees). In addition, a notable performance incentive rate will apply when wells are delivered ahead of target. The rate for the optional wells is at a premium to the firm wells.

Furthermore, Equinor has on 18 December 2020 added more work to Deepsea Atlantic under the Continued Optionality mechanism. In total two new wells has been allocated to Deepsea Atlantic to be commenced back to back with the current operations. The commercial terms are materially the same as for the Johan Sverdrup Phase 2 contract.

Odfjell Drilling Shetland Ltd received in September 2020 a notice of early termination from BP Exploration Operating Company Ltd of the contract for semi-submersible Deepsea Aberdeen. The contract was originally due to expire in April 2022. In accordance with the contract terms, Odfjell Drilling will be compensated with an early termination fee through monthly payments until April 2022. Concurrent with the BP termination, Odfjell Drilling has been awarded a contract by Wintershall Dea Norge AS for use of the Deepsea Aberdeen on exploration wells at Dvalin North and Bergknapp fields and development wells at Vega field on the Norwegian Continental Shelf. The contract consists of four firm and three optional wells with an expected firm duration of approximately 300 days. The contract commenced 19 February 2021. In addition, Wintershall Dea and Odfjell Drilling have entered into a long-term frame agreement for potential future rig needs. As the Wintershall Dea contract falls within the original BP contract duration, BP shall be entitled to a reduction in termination fee payments while the Deepsea Aberdeen is operating for Wintershall. In total, Odfjell Drilling expects to maintain the same net cash flow as would have been the case with continued operations under the original BP contract.

On 5 October 2020, Equinor awarded a letter of intent to Odfjell Drilling for the drilling and completion of the Breidablikk project with Deepsea Aberdeen. The final contract was signed on 21 November 2020 subject to final approval by Norwegian authorities. The contract is set to commence during spring 2022 with a scope of fifteen (15) firm wells and an estimated duration of 2.5 years. In addition, there are nine (9) optional wells. The approximate contract value for the firm scope is USD 290 million (excluding any integrated services, modifications/upgrades and mobilisation/demobilisation fees). In addition, a notable performance incentive rate will apply when wells are delivered ahead of target. The rate for the optional wells will be mutually agreed based on performance and market benchmarks.

Platform drilling commenced Ekofisk operations

On 1 July 2020, Odfjell Drilling commenced the Platform Drilling and Maintenance and Minor Modifications contract for ConocoPhillips at the Greater Ekofisk Area. The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance of ConocoPhillips' drilling facilities on three offshore platforms in the Greater Ekofisk Area. The contract period is for five years, with an option to extend two times, each time by up to three years.

Wintershall Dea exercises options on the Brage platform for platform drilling services

Odfjell Drilling and Wintershall Dea entered into a 4+2+2 year platform drilling services contract on the Brage Platform on 13 December 2016. The parties have agreed to continue the cooperation as Wintershall Dea exercised both the 2 year options in December 2020. This means that the contract has been extended for four years with effect from mid-December 2020.

COVID-19

The COVID-19 outbreak and downward shift in oil price, which both occurred during Q1 2020, have affected the global economy negatively. We have observed E&P companies taking measures to reduce their overall spending due to the uncertain situation.

Odfjell Drilling has limited financial impact due to the Covid-19 outbreak as we acted quickly to implement required routines to limit the spread of the virus. We will continue to pay attention to the situation and take actions as required and recommended by local authorities.

Consolidated Group Financial Statements

Note - 4 Changes in the composition of the Group

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary are the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of any pre-existing equity interest in the subsidiary is adjusted to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Business combinations

As at 30 September 2020, Odfjell Drilling had invested USD 0.1 million in Oceanwind AS. The amount comprises cash consideration transferred of USD 1.1 million reduced by cash and cash equivalents of the acquired entity of USD 1.0 million. The transaction gave the Group a financial interest of about 40%, but Oceanwind is included in consolidated financial statements because the Group has control. Control is achieved because the Group is exposed to variable returns from its involvement with Oceanwind and has the ability to affect those returns through its power over the entity.

The assets and liabilities recognised as a result of the acquisition are as follows:

USD thousands	Fair value
Cash	964
Other non-current payables	(31)
Net identifiable assets acquired	932
Less: non-controlling interests	(549)
Add: goodwill	680
Net assets acquired	**1,064**

As at 30 December 2020 the Group sold shares in Oceanwind to minority interests for a cash consideration of USD 0.4 million, reducing the Group's financial interest in Oceanwind to about 28%. The Group continue to have control and Oceanwind is still included in the consolidated financial statements as at 31 December 2020.

Note - 5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below. Detailed information of these estimates and judgements are disclosed in the relevant notes.

- Calculation of value in use in testing for impairment (Note - 12 Tangible fixed assets)
- Revenue recognition (Note - 7 Revenue)
- Recognition of deferred tax asset for carried forward tax losses (Note - 10 Income Taxes)
- Provisions and contingent liabilities (Note 28 - Contingencies)
- Warrant liabilities measured at fair value (Note - 15 Financial assets and liabilities)
- Determination of lease term and estimating the incremental borrowing rate (Note - 20 Leases)

Going concern

Factors that, in the Group's view, could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, competition within the oil and gas services industry, changes in client's spending budgets plus developments in the financial markets.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024. The Group has one facility maturing in 4Q 2021. In addition, the commercial tranche of the Deepsea Aberdeen facility matures in 4Q 2021. The group is in discussions regarding an extension of both maturities.

The volatility in market capitalisation for the oil and gas service providers has led financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is still challenging and additional funding sources may be restricted to the Group in the future for refinancing existing facilities as they mature. The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time.

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

Hence, the Group has adopted the going concern basis in preparing its consolidated financial statements.

Note - 6 Segment summary

Accounting policy

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

Segment reporting

The Group provides drilling and related services to the offshore oil and gas industry and has three main business areas; the operation of mobile drilling units, energy and well services.

Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. Mobile Offshore Drilling Units business segment (MODU), Odfjell Energy business segment (Energy) and Odfjell Well Services business segment (OWS) have been determined as the operating segments.

The Group's internal reporting is from January 2020 prepared according to IFRS. Comparative figures are adjusted accordingly.

- **Mobile Offshore Drilling Units (MODU):** In the MODU segment, the Group operates drilling units owned by the Group and by third parties. The MODU segment also offers management services to other owners of drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation.

- **Energy:** Odfjell Drilling has during 2020 decided to re-brand the Drilling & Technology segment to the Energy segment. Within the Energy segment, the Platform Drilling business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. The Technology business area offers engineering services, including design, project management and operation and support. The Energy segment will also develop growth within new business areas where the strategy is to create a footprint within sustainable energy solutions.

- **Well Services (OWS)**: The Well Services segment provides casing and tubular running services and wellbore cleaning, as well as drilling tool and tubular rental services both for exploration wells and for production purposes.

	Mobile Offshore Drilling Units	Energy	Well Services	Corporate / Eliminations	Consolidated
USD thousands	2020	2020	2020	2020	2020
External segment revenue	703,881	142,316	76,703	6,838	929,739
Inter segment revenue	-	13,265	27,164	(40,430)	-
Total revenue	**703,881**	**155,582**	**103,868**	**(33,591)**	**929,739**
EBITDA	**375,284**	**15,184**	**32,266**	**(2,331)**	**420,403**
Depreciation and impairment	(169,484)	(99)	(25,409)	(8,970)	(203,962)
EBIT	**205,800**	**15,085**	**6,858**	**(11,302)**	**216,441**
Net financial items					(70,798)
Profit before tax - Consolidated Group					**145,643**

USD thousands	Mobile Offshore Drilling Units 2019	Energy 2019	Well Services 2019	Corporate / Eliminations 2019	Consolidated 2019
External segment revenue	598,915	130,551	85,348	8,380	823,195
Inter segment revenue	-	16,352	25,834	(42,186)	-
Total revenue	**598,915**	**146,904**	**111,182**	**(33,806)**	**823,195**
EBITDA	**291,314**	**17,410**	**32,099**	**(9,063)**	**331,759**
Depreciation and impairment	(153,507)	(84)	(22,986)	(8,616)	(185,192)
EBIT	**137,807**	**17,326**	**9,113**	**(17,679)**	**146,567**
Net financial items					(102,762)
Profit before tax - Consolidated Group					**43,805**

EBIT and EBITDA in column Corporate / Eliminations represent the Group's corporate overhead cost.

Note - 7 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 will, as a practical expedient in IFRS, recognise 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. Rental income arising 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. Contingent rents are recognised as revenue in the period in which they are earned.

Significant judgement and estimation uncertainty

There is use of judgement in the Group's revenue recognition, and the judgement items include evaluation of whether the customer option represents a material right that gives rise to a performance obligation, and if so, to estimate the stand-alone selling price of the option. Further, judgement is based on a decision of whether to include any incentive bonus elements in the transaction price, and to estimate included variable considerations. In addition, the progress towards complete satisfaction of the performance obligation at the end of the reporting period is estimated, as the completion date of the drilling period is unknown at the end of the reporting period.

Mobile Offshore Drilling Units (MODU)

The revenue is primarily derived from drilling service contracts with customers. The core service promised in the contracts with the customers is to be available to provide drilling services over the operation period of a contract. Drilling services primarily comprise of providing the mobile offshore drilling unit, crews, related equipment and services necessary to operate the rig. Services are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Therefore, the Group follow the series guidance in IFRS 15 and treat the series of distinct services as a single performance obligation.

Revenue is based on the transactions price in the contracts with the customers. The main part of the transaction price is dayrates, which range from a full operating dayrate to lower or zero rates for periods when drilling operations are interrupted. Payment of the dayrate based transaction price is usually due on a monthly basis. Some contracts entitle the Group to receive compensation for mobilisation and demobilisation, contract preparation, customer-requested goods and services or capital upgrades. The compensations are either as fixed lump-sums or based on variable dayrates. Lump-sums are usually paid up-front or when certain milestones are met. The payment terms do not contain any significant financing components.

Most of the contracts include fees for variable or conditional service fee arrangements, such as bonuses for meeting or exceeding certain performance targets. The Group estimate these variable fees using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved (generally upon completion of a well or drilling program).

Revenue from drilling contracts is generally recognised in the period from commencing a contract and until completion of the drilling programme ("the drilling operation period"). No revenue is recognised in the mobilisation and demobilisation period.

Since the customers continuously gain control over the drilling services, revenue is recognised over time, in line with transfer of control.

The likelihood of options being exercised, and thereby included in estimates for expected total revenue and the drilling operation period, is based on an assessment of whether a customer option provides a material right for the customer. If a contract includes an option that provides a material right for the customer, a proportion of contract revenue will be allocated to the material right and recognised as revenue when the additional service is provided or when the option expires.

Dayrate considerations in the drilling operation period are attributed to the period to which the drilling operations are performed, and recognised as revenue in the same period. Other compensations, as described above, are allocated to the contract and recognised as revenue on a straight-line basis over the drilling operation period. Refer to Note - 16 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 - 16 Contract balances. Demobilisation expenses are expensed as incurred.

The MODU segment also offers management services to other owners of drilling units; mainly operational management, management of regulatory requirements, marketing, contract negotiations and client relations, preparations for operation and mobilisation. The transaction price is mainly dayrate based management fees, usually payable on a monthly basis. Refer to Note - 16 Contract balances for payment terms related to the management agreement with CIMC Raffles. The payment terms do not contain any significant financing components. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. Variable or conditional service fee arrangements, such as bonuses, are treated according to principles described above. The period for recognising revenue is generally equal to the contract period.

Energy

Within the Energy segment, the Platform Drilling business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. Services are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

Revenue is based on the transaction price in the contracts with customers. The main part of the transaction price is fixed day rates, which can vary depending on the phase of contract. Payment of the dayrate based transaction price is usually due on a monthly basis. Some contracts may contain milestone payments or prepayment for maintenance services not yet performed. Refer to Note - 16 Contract balances.

The Group generally recognise revenue over time because of the continuous transfer of control to the customer. Variable or conditional service fee arrangements, such as bonuses, are treated according to principles described above. The period for recognising revenue is generally equal to the contract period.

The Technology business area offers engineering services, including design, project management and operation and support. The transaction prices in the contracts are mainly based on rates per hour, but the business area may from time to time have some lump sum projects. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. The period for recognising revenue is generally equal to the contract period.

Well Services

The Well Services segment provides casing and tubular running services and wellbore cleaning, as well as drilling tool and tubular rental services both for exploration wells and for production purposes.

Revenue for the rental services are recognised according to IFRS 16 *Leases* and is accounted for on a straight-line basis over the lease terms.

Services related to contracts with customers are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Revenue is based on the transaction price in the contracts with customers, which is a combination of fees for equipment used, personnel on board and other pricing elements. Payment of the transaction price is usually due on a monthly basis. The Group generally recognise revenue over time because of the continuous transfer of control to the customer. The period for recognising revenue is generally equal to the contract period.

Revenue specification

USD thousands	2020	2019
Revenue from contracts with customers (IFRS 15)	901,117	790,312
Other operating revenue	28,622	32,883
Operating revenue	**929,739**	**823,195**

Revenue from single external customers

(more than 10% of revenues)	2020	2019
Total E&P South Africa B.V.	215,048	69,133
Equinor Energy AS	179,584	172,252
Aker BP ASA	168,918	146,678
BP Exploration Company Ltd	161,036	182,060

Disaggregation of revenue by primary geographical markets - 2020

	Mobile Offshore Drilling Units	Energy	Well Services	Corporate / Elimination	Consolidated
USD thousands	2020	2020	2020	2020	2020
Norway	349,128	103,013	55,085	(25,204)	482,023
United Kingdom	139,396	52,568	9,267	(3,707)	197,524
Europe - other countries	-	-	15,962	-	15,962
Asia	308	-	18,097	(133)	18,272
Africa	215,048	-	5,199	(4,548)	215,700
Other geographical markets	-	-	258	-	258
Total operating revenue	**703,881**	**155,582**	**103,868**	**(33,591)**	**929,739**

Disaggregation of revenue by primary geographical markets - 2019

	Mobile Offshore Drilling Units	Energy	Well Services	Corporate / Elimination	Consolidated
USD thousands	2019	2019	2019	2019	2019
Norway	364,521	93,126	49,766	(30,289)	477,124
United Kingdom	166,079	53,778	9,906	(3,637)	226,125
Europe - other countries	-	-	22,769	-	22,769
Asia	487	-	27,508	120	28,115
Africa	67,829	-	1,024	-	68,853
Other geographical markets	-	-	209	-	209
Total operating revenue	**598,915**	**146,904**	**111,182**	**(33,806)**	**823,195**

Note - 8 Personnel expenses

USD thousands	Note	2020	2019
Salaries and wages		267,985	252,973
Employer`s national insurance contributions		36,115	34,966
Pension expenses	21	19,852	18,816
Cost of share-based option plan	35	529	528
Other benefits		11,626	13,100
Hired personnel		22,449	31,561
Capitalised personnel expenses (*)		(30,732)	(28,163)
Amortised personnel contract cost		12,479	4,572
Total personnel expenses		**340,303**	**328,353**

(*) Capitalised personnel expenses include both contract costs for amortisation, and cost capitalised as part of additions to tangible fixed assets.

	2020	2019
No. of employees (annual average)	2,618	2,449

Note - 9 Combined items, income statement

Other gains and losses

USD thousands	2020	2019
Losses on sale of shares in subsidiaries	-	(52)
Net gain on disposal of tangible fixed assets	2,531	1,364
Net gain on disposal of assets	**2,531**	**1,312**

Other operating expenses

USD thousands	Note	2020	2019
Hired services		26,811	23,770
Hired equipment		11,186	14,143
Repair and maintenance, inspection, tools, fixtures and fittings		65,650	64,588
Insurance		3,790	3,915
Freight and transport		7,269	7,769
Costs of premises		3,701	3,793
Travel and course expenses		13,869	16,488
Other operating and administrative expenses		10,072	13,075
Capitalised contract cost	16	(13,232)	-
Amortised other operating contract cost	16	42,446	16,855
Total other operating expenses		**171,563**	**164,395**

Interest income

USD thousands	2020	2019
Interest income	636	2,661
Total interest income	**636**	**2,661**

Accounting policy - Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Interest expenses

USD thousands	Note	2020	2019
Interest expenses borrowings		(63,850)	(85,208)
Amortised transaction costs borrowings (*)	19	(5,300)	(11,456)
Capitalised borrowing costs (**)		-	7,914
Interest expenses lease liabilities	20	(2,396)	(2,515)
Other interest expenses		(295)	(494)
Total interest expenses		**(71,841)**	**(91,759)**

(*) Amortised transaction costs borrowings for 2019 includes recognised modification loss related to the extension and amendment to the Drilling Services USD 250 million bank facility, as a result of recalculating amortised cost according to IFRS 9.

(**) Capitalised borrowing costs for 2019 consist of direct financing cost in the period from drawdown of the loan and seller's credit related to the purchase of the newbuild Deepsea Nordkapp, until the final completion activities were concluded on 10 May 2019.

Other financial items

USD thousands	Note	2020	2019
Net currency gain / (loss)		(2,830)	(3,712)
Income from financial investments (*)		-	967
Other financial income		0	11
Change in value of market-based derivatives (**)	24	4,440	(9,757)
Other financial expenses		(1,203)	(1,173)
Total other financial items		**408**	**(13,664)**

(*) Income from financial investments mainly relates to redemption of convertible bonds and warrants in Golden Close Maritime Corp. Ltd.

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

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Note - 10 Income Taxes

Accounting policy

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Withholding tax is the tax withheld on border-crossing gross income, generated in the Middle East and some other countries. Withholding tax is presented as tax expense in the income statement as this is a major, and often the total, part of the corporate income tax.

Significant judgement and estimation uncertainty

Odfjell Offshore Ltd, a subsidiary of Odfjell Drilling Ltd., was registered as a Norwegian Registered Foreign Company (NUF) on 08.03.2016 after migration of the company in January 2016, and is taxable for income to Norway. In 2017, the company filed for a tax deduction, of approximately NOK 2.3 billion, on redemption of shares in Deep Sea Metro Ltd. A total of NOK 1 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 2020. As at 31 December 2020 the Group has an unrecognised tax asset of USD 32 million.

In 2018, the Norwegian Tax authorities requested further information regarding the deductibility for these tax losses. In March 2021 Odfjell Offshore received a new letter from the Norwegian Tax authorities where they argue that the company is not tax resident in Norway, and if it is, that the losses are not deductible and warn of a potential change in the company's tax return as a consequence of this. At the same time, further information was requested in the letter and Odfjell Offshore was given until 30 April 2021 to respond. If the company is not recognised as a tax resident in Norway, the group contributions received in the period 2017 to 2020 will not be deductible for the Norwegian entities that have provided the group contributions. If the losses are not considered to be deductible the Group will have a payable tax equal to approximately USD 28 million.

The Group is of the opinion that the most likely outcome of any further proceedings is that the company is recognised as a tax resident in Norway and maintains the right to utilise the tax losses.
There might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Group's favour.

Income tax expense

USD thousands	2020	2019
Withholding taxes paid / payable	(1,552)	(1,578)
Payable taxes	(484)	(833)
Change in deferred tax	(303)	(574)
Total income tax expense	**(2,339)**	**(2,984)**
Effective tax rate	1.6 %	6.8 %

Tax reconciliation

USD thousands	2020	2019
Profit / (loss) before income tax	145,643	43,805
Tax calculated at domestic tax rates applicable to profits in respective countries* (including withholding tax)	(3,089)	3,727
Net utilisation of unrecognised tax losses	6,130	5,525
Effect of changes in tax rates	-	-
Effect of adjustments recognised related to prior periods	(346)	153
Effect of net non-taxable income / (expenses)**	(5,035)	(12,390)
Income tax expense	**(2,339)**	**(2,984)**

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

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

Tax losses

USD thousands	31.12.2020	31.12.2019
Unused tax losses for which no deferred tax asset has been recognised	147,594	170,392
Potential tax benefit 22%	32,524	37,542

The movement in unrecognised tax assets is as follows:

USD thousands	2020	2019
Unrecognised tax asset as at 01.01	37,542	43,527
Net utilisation of unrecognised tax losses	(6,130)	(5,525)
Effect of changes in tax rates	-	-
Currency translation differences	1,113	(459)
Unrecognised tax asset as at 31.12	**32,524**	**37,542**

The Group has an unrecognised tax asset of USD 32.5 million, which is mainly related to operations in Norway as explained above. Due to current market uncertainties, the level of future taxable profits is too unpredictable to support a recognised tax asset.

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

USD thousands	2020	2019
Net deferred tax assets/(deferred tax liabilities) at 01.01	777	1,271
Income statement charge	(303)	(574)
Change in deferred tax on other comprehensive income	575	86
Currency translation differences	(8)	(7)
Net deferred tax assets/(deferred tax liabilities) at 31.12	**1,040**	**777**

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

Deferred tax assets - Specification and movements

USD thousands	Tax losses	Current assets	Net pension liabilities	Fixed assets	Lease liabilities	Total
Balance 01.01.2019	218	432	2,185	746	9,646	13,228
Income statement charge	(172)	(233)	(547)	(276)	325	(904)
Change in deferred tax on other comprehensive income	-	-	86	-	-	86
Currency translation differences	2	(1)	(24)	(9)	(80)	(112)
Closing balance 31.12.2019	**48**	**199**	**1,700**	**461**	**9,891**	**12,298**
Income statement charge	-	1	(729)	(119)	(657)	(1,504)
Change in deferred tax on other comprehensive income	-	-	575	-	-	575
Currency translation differences	2	7	(27)	1	230	212
Closing balance 31.12.2020	**50**	**206**	**1,518**	**343**	**9,464**	**11,581**

Deferred tax liabilities - Specification and movements

USD thousands	Share in limited partner-ship	Deferred capital gains	Right-of-use Assets	Total
Balance 01.01.2019	(577)	(1,708)	(9,672)	(11,957)
Reclassification	577	(577)		-
Income statement charge	-	451	(121)	330
Currency translation differences	-	25	80	105
Closing balance 31.12.2019	**-**	**(1,809)**	**(9,712)**	**(11,522)**
Reclassification		-	-	-
Income statement charge		337	864	1,201
Currency translation differences		(17)	(204)	(221)
Closing balance 31.12.2020		**(1,489)**	**(9,052)**	**(10,541)**

Net book value of deferred taxes

USD thousands	2020	2019
Deferred tax assets	11,581	12,298
Deferred tax liabilities offset against deferred tax assets	(10,541)	(11,522)
Net book value of deferred tax asset at 31.12.	**1,040**	**777**

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

USD thousands	Before tax 2020	Tax (charge)/ credit 2020	After tax 2020	Before tax 2019	Tax (charge)/ credit 2019	After tax 2019
Actuarial loss on post employment benefit obligations	(2,614)	575	(2,039)	(390)	86	(304)
Other comprehensive income	**(2,614)**	**575**	**(2,039)**	**(390)**	**86**	**(304)**
Deferred tax		**575**			**86**	

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Note - 11 Intangible assets

Accounting policy - Goodwill and Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired entity and the fair value of non-controlling interest in the acquired entity. Refer to Note - 4 Changes in the composition of the Group for further information.

Software assets are stated at their historical cost less depreciation. Historical cost includes the purchase price and any directly attributable costs of bringing the asset to working condition. The estimated economic life of the acquired software is 7 years.

Accounting policy - Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Specification and movements 2020

USD thousands	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
Cost					
At 1 January 2020	18,443	21,585	1,650	787	42,465
Additions	-	932	-	497	1,429
Acquisition of subsidiary	680	-	-	-	680
Currency translation differences	617	724	-	-	1,341
Cost as at 31 December 2020	**19,740**	**23,242**	**1,650**	**1,284**	**45,916**
Accumulated amortisation and impairment					
At 1 January 2020	-	12,627	14	146	12,787
Amortisation	-	3,132	165	244	3,542
Currency translation differences	-	695	-	-	695
As at 31 December 2020	**-**	**16,454**	**179**	**391**	**17,024**
Net book value at 31 December 2020	**19,740**	**6,788**	**1,471**	**893**	**28,892**
Useful lifetime		3-7 years	5-10 years	10 years	
Depreciation schedule		Straight line	Straight line	Straight line	

Specification and movements 2019

USD thousands	Goodwill	Software	Patents and acquired R&D	Internally developed assets	Total intangible assets
Cost					
At 1 January 2019	18,638	20,240	-	724	39,602
Additions	-	1,553	1,650	63	3,266
Currency translation differences	(195)	(208)	-	-	(403)
Cost as at 31 December 2019	**18,443**	**21,585**	**1,650**	**787**	**42,465**
Accumulated amortisation and impairment					
At 1 January 2019	-	9,718	-	72	9,791
Amortisation	-	3,003	14	74	3,090
Currency translation differences	-	(94)	-	-	(94)
As at 31 December 2019	**-**	**12,627**	**14**	**146**	**12,787**
Net book value at 31 December 2019	**18,443**	**8,958**	**1,636**	**641**	**29,678**
Useful lifetime		3-7 years	5-10 years	10 years	
Depreciation schedule		Straight line	Straight line	Straight line	

Software - Global Standard integrated system

Software includes the Global Standard integrated system (IFS). This software is amortised using the straight-line method over an estimated lifetime of 7 years. The Group has conducted an assessment at year-end to determine if there are any impairment indicators that might warrant a further review of the carrying value of the Global Standard system. No such indicators were found, therefore there has not been an impairment adjustment.

Internally developed assets

The carrying amount of internally developed assets include development expenses incurred in connection with developing a new drill-hole cleaning tool. The technology has been patented. The Group have documented that the new technology met the criteria for recognition in the balance sheet. The new tool is part of Odfjell Well Services product line and is expected to generate future cash flow to support the book value as at 31 December 2020.

The developed assets is amortised using a straight-line method over an estimated lifetime of 10 years.

Impairment tests for goodwill

Accounting principle

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Summary of goodwill allocation for each operating segment

USD thousands	Mobile Offshore Drilling Units 2020	Energy 2020	Well Services 2020	Total 2020
At 1 January	3,322	10,981	4,141	18,443
Acquisition of subsidiary	-	680	-	680
Translation differences	96	400	120	617
Net book value at 31 December	**3,418**	**12,061**	**4,261**	**19,740**

USD thousands	Mobile Offshore Drilling Units 2019	Energy 2019	Well Services 2019	Total 2019
At 1 January	3,357	11,097	4,184	18,638
Translation differences	(35)	(116)	(44)	(195)
Net book value at 31 December	**3,322**	**10,981**	**4,141**	**18,443**

The Energy segment, as well as the Well Services segment, only consist of one Cash Generation Unit (CGU) each. The Mobile Offshore Drilling Units segment consist of owned rigs and management of other rigs. Only cash flow from management of other rigs is used in the impairment test of goodwill, as the cash flow from owned rigs is allocated to fixed assets.

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on prognoses made by management covering a five-year period. The prognosis for the EBITDA margin in 2021 and the following years is based on past performance and expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax weighted average cost of capital and reflect specific risks relating to the relevant operating segments.

These assumptions have been used for the analysis of each CGU within the operating segment. Impairment tests performed for goodwill for respective CGUs do not indicate any impairment as per 31.12.2020.

The key assumptions for value-in-use calculations were as follows

	Mobile Offshore Drilling Units 2020	Energy 2020	Well Services 2020	Mobile Offshore Drilling Units 2019	Energy 2019	Well Services 2019
EBITDA margin in prognosis period	13% - 16%	5% - 7%	25% - 29%	14% - 16%	5% - 7%	30% - 34%
Growth rate year 6 and forward	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Cost of Capital, pre-tax	10.4 %	9.8%	9.7%	8.5 %	8.4%	8.6%

Sensitivity analysis for goodwill impairment test as at 31.12.2020

The Group has performed sensitivity analysis for the goodwill impairment test by reducing operating income by one, five and ten percent and EBITDA margin by one, five and ten percentage points respectively for each of the segments. Reducing EBITDA margin by five percentage points indicated an impairment write-down of USD 12 million in the Energy segment, while reducing EBITDA margin by ten percentage points indicated impairment write-downs of USD 12 million in the Energy segment and USD 4 million in the Well Services segment. None of the other scenarios indicated any impairment write-down of goodwill as at 31 December 2020.

Note - 12 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 are therefore allocated into groups of components that have different expected useful lifetimes.

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

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

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

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement as other gains and losses.

Residual values for mobile offshore drilling units are determined based on the estimated second hand prices for mobile drilling units after a 30 year useful lifetime. Any changes are accounted for prospectively as a change in the accounting estimate. The estimated useful life of the rig could change, resulting in different depreciation amounts in the future. Residual values for other property, plant and equipment are estimated to be zero.

Rig and equipment are depreciated over a period from 5 to 30 years. Periodic maintenance is depreciated over the expected period until next docking, estimated as 5 years.

Estimated useful life for operating drilling equipment is 3 to 10 years.

Newbuild in progress

Newbuilds under construction are capitalised as fixed assets during the construction as instalments are paid to the yard.

Capitalised costs include interest expenses until commencement on first drilling contract, contractual costs and costs related to the monitoring of the project during the construction period. Contractual costs include costs related to the project for the duration of the contract, i.e. from signing of the contract to final completion of the contractual work. Any costs incurred prior to the signing of the contract that relate to the procurement of the contract are regarded as a purchase of contractual assistance and are included in contractual costs.

Impairment of non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Refer to accounting policy for Fair value measurement in Note - 15 Financial assets and liabilities for assessment of fair value.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). For mobile offshore drilling units, each unit is deemed to be a CGU. Value in use represents the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Non-financial assets, other than goodwill, that have suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Significant judgement and estimation uncertainty

The value in use is determined on the basis of the total estimated discounted cash flow, excluding financing expenses and taxes. In determining impairment of mobile offshore drilling units and other fixed assets, the management must make judgements and estimates to determine whether the discounted cash flows generated by those assets are less than their carrying amount, including determining the appropriate discount rate to be used.

The data necessary for the execution of the impairment test are based on management's estimates of discount rate, future cash flows, which require estimates to be made for future day rates, utilisation and profit margins.

The assumptions used in estimating these cash flows are consistent with internal forecasts. Market outlook and day rate considerations provided by an independent third party are used to support management's estimates. These considerations are mainly based on the oil price.

If available, estimated fair value of an asset is obtained externally. In addition, the Group has financial models which calculate and determine the value in use through a combination of actual and expected cash-flow generation discounted to present value. In measuring value in use the Group has based its calculation on reasonable and supportable assumptions that represent management's best estimate for the range of economic conditions that will exist over the remaining useful life of the asset. The Group has applied latest available market assumptions when calculating value in use as of 31 December 2020.

To support the value in use calculation the Group has also looked at the broker values at the applicable balance sheet date and analysed contract values and other factors (new build parity etc), bridging book value of the rigs.

The Group acknowledges that there may be both macroeconomic and industry specific challenges when looking at a longer period of time, which a rig's lifetime is. Estimated cash flows may for these reasons vary over time and different scenarios have therefore been accounted for. The Group has in its calculations accounted for different scenarios when it comes to assumptions related to day rate, exercised options, operating expenses, financial utilisation and market recovery.

Normalised day rate is in the model fully recovered from 2026 for all scenarios. In the periods without contract prior to full recovery, the Group has applied estimated day rates that provide a natural development towards normalised level.

The discount factor applied in the cash flow budgets is a pre-tax weighted average cost of capital (WACC).

As the analysis in this note demonstrates, the impairment assessment is sensitive to changes in key assumptions.

Spesification and movements 2020

USD thousands	Mobile drilling units	Periodic maintenance	Newbuild in progress	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
Cost							
At 1 January 2020	3,126,346	256,445	-	365,058	21,076	52,643	3,821,568
Additions	41,993	59,183	-	18,075	601	2,616	122,469
Disposals	(237,014)	(157,141)	-	(7,739)	(855)	(931)	(403,680)
Currency translation differences	-	-	-	1,173	649	1,729	3,550
Cost as at 31 December 2020	**2,931,326**	**158,487**	**-**	**376,567**	**21,471**	**56,058**	**3,543,908**
Accumulated depreciation and impairment							
At 1 January 2020	1,075,777	149,779	-	290,695	17,719	6,732	1,540,701
Depreciation	126,937	42,221	-	23,208	1,143	6,913	200,421
Disposals	(236,959)	(157,141)	-	(7,200)	(849)	(931)	(403,080)
Currency translation differences	-	-	-	1,141	570	767	2,478
As at 31 December 2020	**965,754**	**34,859**	**-**	**307,843**	**18,583**	**13,481**	**1,340,520**
Net book value at 31 December 2020	**1,965,571**	**123,628**	**-**	**68,724**	**2,888**	**42,576**	**2,203,387**
Useful lifetime	5 - 30 years	5 years		3 - 10 years	3 - 5 years	2-12 years	
Depreciation schedule	Straight line	Straight line		Straight line	Straight line	Straight line	

Spesification and movements 2019

USD thousands	Mobile drilling units	Periodic maintenance	Newbuild in progress	Well Services equipment	Other fixed assets	Right-of-use assets	Total fixed assets
Cost							
At 1 January 2019	2,509,088	193,779	246,788	352,106	20,049	-	3,321,811
Effect change in accounting policies	-	-	-	-	-	45,960	45,960
Additions	40,230	48,778	367,583	25,205	2,413	6,997	491,207
Reclassifications	-	-	-	-	-	-	-
Disposals	(2,344)	(21,113)	-	(11,806)	(1,352)	-	(36,614)
Reclassification from new building contracts	579,371	35,000	(614,371)	-	-	-	-
Currency translation differences	-	-	-	(447)	(35)	(314)	(796)
Cost as at 31 December 2019	**3,126,346**	**256,445**	**-**	**365,058**	**21,076**	**52,643**	**3,821,568**
Accumulated depreciation and impairment							
At 1 January 2019	969,137	125,508	-	280,869	18,166	-	1,393,680
Depreciation	107,788	45,384	-	21,286	946	6,698	182,102
Reclassifications	-	-	-	-	-	-	-
Disposals	(1,149)	(21,113)	-	(11,020)	(1,352)	-	(34,633)
Currency translation differences	-	-	-	(439)	(41)	34	(447)
As at 31 December 2019	**1,075,777**	**149,779**	**-**	**290,695**	**17,719**	**6,732**	**1,540,701**
Net book value at 31 December 2019	**2,050,569**	**106,666**	**-**	**74,363**	**3,357**	**45,911**	**2,280,867**
Useful lifetime	5 - 37.5 years	5 years		3 - 10 years	3 - 5 years	2-12 years	
Depreciation schedule	Straight line	Straight line		Straight line	Straight line	Straight line	

Accumulated impairment that may qualify for reversal in a later period related to the mobile drilling units Deepsea Atlantic and Deepsea Stavanger amount to USD 186 million at 31 December 2020.

For more information about Right-of-use assets, refer to Note - 20 Leases.

Newbuild in progress

Newbuild in progress was related to Deepsea Nordkapp, a 6G harsh environment semi-submersible. The rig was constructed at Samsung Heavy Industries, South Korea, and was delivered from the shipyard 7 January 2019. The rig arrived in Norway early April 2019, and the final completion activities were concluded 10 May 2019 when the rig commenced its contract with Aker BP.

The cost price include capitalised borrowing costs of USD 7.9 million related to direct financing cost in the period from drawdown of the loan and seller's credit related to the purchase and until the final completion activities was concluded in 2019.

Disposal of drilling unit

The rig Deepsea Bergen was disposed for recycling in December 2020.

Depreciation drilling units

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

Impairment tests mobile drilling units

The Group has during 2020 identified impairment indicators for the MODU segment related to the rig market in general and the day rates, as the market is still not back to normalised levels.

Due to identified impairment indicators for the MODU segment, the Group has conducted impairment tests for its mobile drilling units. Each mobile drilling unit has been identified as a separate CGU (Cash Generating Unit).

Odfjell Drilling performs impairment tests on a quarterly basis whenever impairment indicators are identified. When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each unit's recoverable amount. Please see above for further information about the estimates and judgements applied. In the sensitivity analysis, the estimated impairment in the different scenarios is based on the assumption that the asset will be written down to the highest of value in use and fair value less costs to sell. Rig broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller are part of the input for estimating for fair value less cost to sell.

Based on impairment tests performed as at 31 December 2020, the Group has not identified any impairment of rigs, nor reversal of previous impairment related to the 6G rigs Deepsea Atlantic and Deepsea Stavanger.

Recoverable value per Mobile Drilling Unit (CGU)

USD thousands	Deepsea Atlantic	Deepsea Stavanger
Recoverable value (value in use) 31.12.2020	454,895	483,378

Key assumptions have been used when conducting impairment tests for mobile drilling units

	Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Nordkapp
	6G Semi	6G Semi	6G Semi	6G Semi
Weighted Average Cost of Capital (WACC)	9.2%	9.2%	9.2%	9.2%
Firm contract days	659	150	1,412	538
Firm contract day rates (weighted average)	309	295	360	344
Future normalised base case day rates - at full market recovery	400	400	400	400
Financial utilisation in normalised period	95%	95%	95%	95%

Sensitivity analysis mobile drilling units

		Deepsea Atlantic	Deepsea Stavanger	Deepsea Aberdeen	Deepsea Nordkapp
Estimated impairment write-down if:					
- WACC increased by	1 pp	32,000	34,000	42,000	47,000
- WACC increased by	2 pp	60,000	65,000	79,000	87,000
- Day rate level(*) decreased by	5%	45,000	57,000	36,000	57,000
- Day rate level(*) decreased by	10%	91,000	114,000	73,000	114,000
- Normalised opex level increased by	5%	26,000	26,000	27,000	29,000
- Normalised opex level increased by	10%	52,000	53,000	55,000	57,000
- Financial utilisation in normalised period decreased by	1 pp	10,000	12,000	9,000	13,000
- Financial utilisation in normalised period decreased by	2 pp	20,000	24,000	18,000	25,000
- Financial utilisation in normalised period decreased by	3 pp	30,000	36,000	27,000	38,000

(*) excluding firm contractual day rates

Note - 13 Other assets

Other non-current assets

USD thousands	31.12.2020	31.12.2019
Deposits	2,588	120
Other non-current receivables	-	-
Total other non-current assets	**2,588**	**120**

Other current assets

USD thousands	Note	31.12.2020	31.12.2019
Derivative financial instruments	24	5,726	23
Prepaid expenses		10,656	9,040
Assets from contract costs	16	-	4,555
Income tax receivables		852	641
VAT receivables		4,906	2,925
Other current receivables		1,695	1,046
Total other current assets		**23,834**	**18,231**

The fair value of debt instruments at amortised cost are as follows:

USD thousands	31.12.2020	31.12.2019
Deposits	2,588	120
Other current receivables	1,695	1,046
Total	**4,283**	**1,167**

As the receivables, including deposits, are due in a relatively short term, the fair value is approximately equal to the carrying amount, and the future cash flows are not discounted.

Refer to Note - 15 Financial assets and liabilities for definition of debt instruments at amortised cost.

Note - 14 Spare parts

Spare parts are stated at the lower of cost and net realisable value. Cost is attributed using the first-in, first-out (FIFO) method. The costs of spare parts comprise the purchase price, import duties and other taxes, transport and handling and other costs directly attributable to the acquisition of the goods. Trade discounts, rebates and other similar items are deducted in determining cost.

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Note - 15 Financial assets and liabilities

Accounting policies

Financial instruments

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

Financial assets

The Group classify financial assets in the following categories:

- amortised cost,
- financial assets at fair value through profit or loss (FVPL),
- financial assets at fair value through other comprehensive income (FVOCI)

Management determines the classification of financial assets at their initial recognition.

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

Debt instruments like loans and receivables held to receive payment of principal and interest are valued at amortised costs. The group has applied the practical expedient under IFRS 9 and are measuring the initial recognition of trade receivables at the transaction price determined under IFRS 15.

Debt instruments like bonds held to receive profit from sale in addition to interest are valued at fair value through profit and loss (FVPL).

Equity instruments like investments in shares are valued at fair value through profit and loss (FVPL).

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in in the income statement in the period they occur.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Realised gains and losses arise from financial assets not designated for hedging, are recognised in the income statement as financial item in the period they occur.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at :

- fair value through profit or loss,
- loans and borrowings,
- payables, or as
- derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

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

Refer to further information in Note - 19 Interest-bearing borrowings .

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability , or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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Significant judgement and estimation uncertainty

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. Changes in parameters such as volatility of share price, risk-free interest rate etc. could have substantial impacts on the estimated warrant liability. See further information about the warrant liability and assumptions applied in Note 24 b) 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.

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

USD thousands	Note	Level	31.12.2020	31.12.2019
Financial assets at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Foreign exchange forward contracts - Other current assets	24	2	1,360	23
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current assets	24	2	-	1,606
- Foreign exchange forward contracts - Other current assets	24	2	4,366	-
Debt instruments at amortised cost				
Other non-current receivables	13		2,588	120
Contract assets	16		9,898	9,392
Trade receivables	17		161,889	174,158
Other current receivables	13		1,695	1,046
Cash and cash equivalents	18		206,895	169,694
Total assets as at 31.12			**388,691**	**356,039**

USD thousands	Note	Level	31.12.2020	31.12.2019
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	24	2	828	70
Derivatives designated as hedging instruments				
- Interest rate swaps - Other non-current liabilities	24	2	10,545	482
Warrant liabilities - Other non-current liabilities	24	3	5,250	9,111
Financial liabilities at amortised cost				
Non-current interest-bearing borrowings	19		695,792	1,173,882
Current interest-bearing borrowings	19		515,799	216,581
Non-current lease liabilities	20		36,920	38,901
Current lease liabilities	20		7,633	7,757
Other non-current payables	23		-	-
Trade payables			52,667	46,168
Other current liabilities	23		66,519	60,751
Total liabilities as at 31.12.			**1,391,953**	**1,553,704**

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Note - 16 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. Contract assets are financial assets and are recognised and measured according to accounting policies listed in Note - 15 Financial assets and liabilities .

Accounting policies - Contract liabilities

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

Contract balances specification

USD thousands	31.12.2020	31.12.2019
Contract assets	9,898	9,392
Contract liabilities	(17,691)	(40,823)

The contract assets as at 31 December 2020 and 31 December 2019 are mainly related to the management agreement with CIMC Raffles regarding management and operation of the Deepsea Yantai. Accrued revenue for the services provided during transit and first mobilisation is payable at the expiry or the termination of the management agreement, or will be offset in the purchase price of the rig, should Odfjell Drilling purchase the unit.

Of the Contract liabilities as at 31 December 2020, approximately USD 14 million relates to Mobile Drilling Unit contracts, and will be recognised as revenue over the contracts' drilling periods. Approximately USD 4 million relates to platform drilling contract and will be recognised as revenue over an estimated period up to 5 years.

Set out below is the amount of revenue recognised from:

USD thousands	2020	2019
Amounts included in contract liabilities at the beginning of the year	34,445	22,317
Performance obligations satisfied in the previous years (*)	5,245	6,319

(*) Mainly related to variable considerations in drilling contracts. Refer to Note - 7 Revenue

Performance obligations related to unsatisfied long-term contracts

The Group's firm contract backlog is USD 1.3 billion, of which USD 1.0 billion is related to Mobile Drilling Unit contracts and USD 0.3 billion related to Platform Drilling services. Approximately USD 0.5 billion is related to services that will be provided in 2021. The firm contract backlog does not include variable consideration which is constrained. The services provided under these contracts will be billed based on time incurred and at day rates according to contract. The Well Services contracts are for periods of one year or less and are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Assets from contract costs

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.

USD thousands	Note	2020	2019
Asset recognised from costs incurred to fulfil a contract	13	-	4,555
Amortisation recognised as cost of providing services during the period		54,925	21,427

The assets from contract costs as at 31 December 2019 was related to drilling operations under the contract with Total entered into in 2019 for a drilling program offshore South Africa, and consisted of cost incurred regarding this specific drilling contract, including modification projects that does not meet requirements for classification as fixed assets. The asset was amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. The amount booked as asset at 31 December 2019 was recognised as cost in 2020.

Note - 17 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 - 15 Financial assets and liabilities.

Trade receivables specification

USD thousands	Note	31.12.2020	31.12.2019
Trade receivables		131,735	144,006
Earned, not yet invoiced operating revenues		31,287	31,157
Loss allowance	24	(1,132)	(1,005)
Trade receivables - net		**161,889**	**174,158**

The fair value of trade receivables are as follows:

USD thousands	31.12.2020	31.12.2019
Trade receivables	161,889	174,158
Total	**161,889**	**174,158**

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 - Financial risk management.

Note - 18 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, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities in the balance sheet.

USD thousands	31.12.2020	31.12.2019
Cash in bank	180,973	58,408
Time deposits	137	67,992
Retention accounts (*)	12,207	13,754
Restricted bank deposits (**)	13,578	29,540
Total	**206,895**	**169,694**

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

(**) As at 31 December 2019 the restricted bank deposits includes a cash collateral of USD 18 million related to the Odfjell Rig II Ltd., facility Agreement, see Note - 19 Interest-bearing borrowings. The remaining restricted bank deposits are mainly related to tax withholdings for employees.

Note - 19 Interest-bearing borrowings

Accounting policy

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

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

Also refer to accounting policies regarding *Financial liabilities* in Note - 15 Financial assets and liabilities.

Interest-bearing borrowings specification

	Non-current	Current	Total	Non-current	Current	Total
USD thousands	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**
Bank borrowings	660,526	511,211	1,171,737	1,146,737	208,211	1,354,947
Transaction cost, unamortised	(11,061)	(1,420)	(12,481)	(17,617)	(164)	(17,781)
Seller's credit	46,326	-	46,326	44,762	-	44,762
Accrued interest cost	-	6,009	6,009	-	8,534	8,534
Carrying amounts interest-bearing borrowings	**695,792**	**515,799**	**1,211,591**	**1,173,882**	**216,581**	**1,390,462**

The interest-bearing borrowings are secured debt and are all denominated in USD. Interest rates are generally based on LIBOR rates.

Movements in interest-bearing borrowings

	Non-current	Current	Total	Non-current	Current	Total
USD thousands	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**
Carrying amount as at 1 January	1,173,882	216,581	1,390,462	311,819	782,980	1,094,798
Cash flows:						
New bank loan raised	25,000	-	25,000	825,000	-	825,000
Repayment bank loan	-	(208,211)	(208,211)	-	(564,253)	(564,253)
Paid transaction costs related to new bank loan	-	-	-	(19,838)	-	(19,838)
Non-cash flows:						
Reclassified	(508,226)	508,226	-	4,212	(4,212)	-
Seller's credit raised	-	-	-	43,250	-	43,250
Change in transaction cost, unamortised	5,136	164	5,300	9,438	2,018	11,456
Change in accrued interest cost	-	(960)	(960)	1,512	48	1,560
Carrying amount as at 31 December	**695,792**	**515,799**	**1,211,591**	**1,173,882**	**216,581**	**1,390,462**

Repayment schedule for interest-bearing borrowings

	Non-current	Current	Total	Non-current	Current	Total
USD thousands	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**
Maturity within 3 months	-	21,053	21,053	-	28,053	28,053
Maturity between 3 and 6 months	-	67,053	67,053	-	74,053	74,053
Maturity between 6 and 9 months	-	21,053	21,053	-	39,053	39,053
Maturity between 9 months and 1 year	-	402,053	402,053	-	67,053	67,053
Maturity between 1 and 2 years	84,211	-	84,211	511,211	-	511,211
Maturity between 2 and 3 years	263,816	-	263,816	84,211	-	84,211
Maturity between 3 and 4 years	358,826	-	358,826	263,816	-	263,816
Maturity between 4 and 5 years	-	-	-	332,262	-	332,262
Maturity beyond 5 years	-	-	-	-	-	-
Total contractual amounts	**706,853**	**511,211**	**1,218,063**	**1,191,499**	**208,211**	**1,399,709**

The table above analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual instalments.

Refer to Note 24 - Financial risk management for further information regarding liquidity risk and interest risk.

The Odfjell Drilling Services Ltd. facility

Remaining contractual amount of USD 190 million as at 31 December 2020.

The facility matures in November 2021, with balloon amount USD 150 million. Discussions regarding an extension of the facility are ongoing.

The Odfjell Invest Ltd. facilities

Remaining contractual amount for the senior bank facility of USD 363 million and USD 100 million for the junior facility as at 31 December 2020.

USD 40 million of the junior facility was drawn on signing in June 2019, while USD 35 million was drawn in December 2019. The remaining USD 25 million was drawn 20 March 2020.

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The Odfjell Rig II Ltd. facility

The facility was repaid in full in July 2020.

The Odfjell Rig III Ltd. facility

Remaining contractual amount of USD 237 million as at 31 December 2020.

The Export Credit Agencies (ECA) tranches of the facility mature in July 2024, subject that the commercial tranche, which matures in November 2021, has been extended at terms satisfactory to GIEK and Kexim. In the tables above, full repayment of the USD 211 million then outstanding, has been included in November 2021. Discussions regarding a refinancing of the commercial tranche are ongoing.

The Odfjell Rig V Ltd. facility

Remaining contractual amount of USD 282 million as at 31 December 2020 for the bank facility.

The Odfjell Rig V Ltd. seller's credit

Seller's credit, including capitalized interest amount to USD 46 million as at 31 December 2020.

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

	Carrying amount		Fair value	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
Interest-bearing borrowings	1,211,591	1,390,462	1,211,591	1,390,462
Total	**1,211,591**	**1,390,462**	**1,211,591**	**1,390,462**

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

Available drawing facilities

The group has no available not drawn facilities as per 31 December 2020.

Compliance with financial covenants as at 31.12.2020

The Odfjell Drilling Group is compliant with all financial covenants as at 31 December 2020.

Financial covenants

The borrowing facilities in the Odfjell Drilling Group include the following main covenants:

Group covenants

The Odfjell Drilling Group has agreed to maintain, at all times, a minimum free liquidity (cash and cash equivalents) requirement of USD 50 million and a total liquidity of minimum 5 per cent of interest bearing debt (on consolidated basis) (if the Odfjell Drilling Group 12 months prior to delivery of any investments in excess of USD 100 million has any not financed capital expenditure related to such investment, the minimum free liquidity requirement will increase to USD 100 million). The Odfjell Drilling Group has agreed to maintain book equity of at least USD 600 million and an equity ratio (equity to total assets) of minimum 30 per cent, increasing with 1% each calendar year from and including 2019, up to 35%. Further, the group has agreed at all times to maintain a leverage ratio (net interest bearing debt to EBITDA) not exceeding 5.00:1:00. EBITDA and Interest Bearing Debt related to a new-builds (drilling rig/vessel) shall be disregarded until the first full month after the earlier of (i) six (6) months after commencement of a firm employment contract for such new-builds and (ii) twelve (12) months from the contractual delivery date (within the yard's delivery window) for such unit. Thereafter, actual EBITDA shall be annualised until a full twelve month earnings history related to that new-builds has been achieved. The ratio of current assets to current liabilities shall at all times be a minimum 1.00:1.00.

Odfjell Invest Ltd – USD 425 million facility

The facility agreement provides for mandatory prepayment if Helene Odfjell (and her descendants) cease to own at least 50.1% of the shares in Odfjell Drilling Ltd.

The facility agreement contains undertakings and covenants, and terms and conditions which are considered to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the valuation, operation and maintenance of Deepsea Stavanger and Deepsea Atlantic.

Up to and including 31 December 2020, dividends on the common shares of Odfjell Drilling are subject to the majority lenders' prior written consent. From 1 January 2021, Odfjell Drilling may pay dividends in an amount up to 50% of its net income in its previous financial year. The facility agreement further contains default and cross-default provisions, all applicable to Odfjell Invest Ltd., and its subsidiaries, and in some cases the Odfjell Drilling Group. The cross-default provision is only applicable to the Odfjell Drilling Group in relation to a default on indebtedness of more than USD 5 million.

Odfjell Invest Ltd – USD 100 million junior facility

The junior facility contains materially the same undertakings and covenants as the USD 425 million facility.

The junior facility has no fixed instalments, but shall on certain conditions be partly repaid annually from 3Q 2021 by free and available liquidity of the Odfjell Drilling Group above USD 175 million, however so that any such repayment shall be limited to 50% of the previous year's net result and adjusted for any identified liquidity requirements. Dividends and other distributions on the common shares of Odfjell Drilling are subject to lender's prior written consent for as long as the junior facility is outstanding.

Odfjell Rig III Ltd – USD 530 million facility

Payment of dividends from Odfjell Drilling Ltd., on ordinary shares shall be limited to 50% of its net income, provided that GIEK and Kexim have on each occasion given their prior written consent. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

The facility agreement otherwise contains undertakings and covenants, terms and conditions which Odfjell Rig III Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the valuation, operation and maintenance of the semi-submersible drilling rig "Deepsea Aberdeen". Further, the Facility Agreement also contains default and cross default provisions, all applicable to Odfjell Rig III Ltd., including the Odfjell Drilling Group and the Odfjell Rig Owning Ltd., Group.

Odfjell Drilling Services - USD 250 million facility

The Odfjell Drilling Services Group has agreed to maintain, at all times, a minimum liquidity of at least USD 35 million. Further, the Odfjell Drilling Services Group has agreed to maintain an equity ratio (equity to total assets) of minimum 30 per cent. The Odfjell Drilling Services Group has also agreed to ensure that the ratio of current assets to current liabilities shall at all times be minimum 1.00. Finally, the interest coverage ratio (EBITDA to net finance charges) of the Odfjell Drilling Services Group calculated on a 12 months' rolling basis shall be above 1.5x from the first quarter date following the first anniversary of the effective date, above 1.75x following the second anniversary and above 2.0x thereafter.

Further, the facility agreement implies certain restrictions on ownership, including that (i) Helene Odfjell and descendants shall own and control (directly or indirectly) at least 50.1 per cent of the voting rights and capital interest in Odfjell Drilling Ltd., and (ii) Odfjell Drilling Ltd., shall own and control, either directly or indirectly, 100 per cent of Odfjell Drilling Services Ltd., and Odfjell Rig Owning Ltd. The facility agreement also involves further restrictions on, inter alia, financial indebtedness, capital expenditures and financial support, all such provisions mainly applicable to Odfjell Drilling Services Group only.

The facility agreement otherwise contains undertakings and covenants which Odfjell Drilling Services Ltd., considers to be customary for similar types of bank financings in the current market, including, but not limited to, undertakings related to reporting and information and certain restrictions on corporate actions and change of business. Dividends from Odfjell Drilling Ltd on ordinary shares are subject to the majority lenders' prior written consent. Further, the facility agreement also contains default and cross default provisions, all applicable to the obligors under the facility agreement, however such that cross default is applicable to any member of the Odfjell Drilling Group.

Odfjell Rig V Ltd - USD 325 million facility

The loan facility was fully drawn on 3 January 2019 in relation to the delivery of Deepsea Nordkapp that took place on 7 January 2019.

There shall be no dividends from Odfjell Drilling Ltd. on ordinary shares until 1 January 2021. Thereafter, dividends on ordinary shares shall be limited to 50% of its net income. Moreover, there are certain restrictions on ownership, including that Helene Odfjell and descendants shall own at least 50.1 per cent of the voting rights and capital interests in Odfjell Drilling Ltd.

Otherwise, the facility contains provisions that are regarded as customary for these type of facilities, including, but not limited to, undertakings related to reporting and information, certain restrictions on corporate actions and change of business and covenants relating to the valuation, operation and maintenance of the semi-submersible drilling rig "Deepsea Nordkapp".

Odfjell Rig V Ltd - USD 43.25 million seller's credit from Samsung

USD 43.25 million seller's credit granted to Odfjell Rig V Ltd by Samsung Heavy Industries at delivery of Deepsea Nordkapp 7 January 2019, which is subordinated to the USD 325 million facility. The facility contains covenants that are customary for these type of facilities.

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Note - 20 Leases

The group's leasing activities and how these are accounted for

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that are based on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable by the group under residual value guarantees, the exercise price of a purchase option if the group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

The variable lease payments in the lease agreements currently held by the Group are based on an index or a rate, and are therefore included in the calculated lease liability as described above.

Significant judgement and estimation uncertainty

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. IBR is estimated using observable inputs, such as market interest rates, when available. It is required to make certain entity-specific estimates mentioned above.

The balance sheet shows the following amounts related to leases:

USD thousands	Properties 2020	Other fixed assets 2020	Total Right-of-use assets 2020	Properties 2019	Other fixed assets 2019	Total Right-of-use assets 2019
Cost						
At 1 January	51,851	792	52,643	-	-	-
Effect change in accounting policies	-	-	-	45,158	802	45,960
Additions	2,617	1	2,617	6,989	8	6,997
Disposals	(194)	(737)	(931)	-	-	-
Currency translation differences	1,783	(55)	1,728	(296)	(18)	(314)
Cost as at 31 December	**56,058**	**-**	**56,058**	**51,851**	**792**	**52,643**
Accumulated depreciation and impairment						
At 1 January	6,322	411	6,732	-	-	-
Depreciation	6,558	355	6,913	6,289	409	6,698
Disposals	(194)	(737)	(931)	-	-	-
Currency translation differences	796	(28)	767	33	1	34
As at 31 December	**13,481**	**-**	**13,481**	**6,322**	**411**	**6,732**
Net book value at 31 December	**42,576**	**-**	**42,576**	**45,530**	**382**	**45,911**

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note - 12 Tangible fixed assets.

Lease liabilities

USD thousands	31.12.2020	31.12.2019
Non-current	36,920	38,901
Current	7,633	7,757
Total	**44,553**	**46,659**

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Movements in lease liabilities are analysed as follows:

USD thousands	Non-current 2020	Current 2020	Total 2020	Non-current 2019	Current 2019	Total 2019
Carrying amount as at 1 January	38,901	7,757	46,659	37,814	7,911	45,725
Cash flows:						
Payments for the principal portion of the lease liability	-	(5,822)	(5,822)	-	(6,297)	(6,297)
Payments for the interest portion of the lease liability	-	(2,379)	(2,379)	-	(1,950)	(1,950)
Non-cash flows:						
New lease liabilities recognised in the year	2,616	-	2,616	6,981	-	6,981
Interest expense on lease liabilities	2,396	-	2,396	2,515	-	2,515
Reclassified to current portion of lease liabilities	(7,854)	7,854	-	(8,139)	8,139	-
Currency exchange differences	859	223	1,082	(270)	(45)	(316)
Carrying amount as at 31 December	**36,920**	**7,633**	**44,553**	**38,901**	**7,757**	**46,659**

Rental costs for exemptions

USD thousands	2020	2019
Expenses relating to short-term leases	8,168	11,317
Expenses relating to low value items	975	570

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 reasonable 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 2020, potential future cash outflows of USD 49 million (not discounted) have not been included in the lease liability because it is not reasonable certain that these leases will be extended (or not terminated).

Commitments related to leases not commenced as at 31 December 2020

The Group have during 2020 entered into three office lease contracts that has not yet commenced due to construction work. The leased assets are not available for use by the Group as at 31 December 2020. It is estimated that a lease liability of about USD 10 million with a corresponding right-of-use asset will be recognised in 2021.

Note - 21 Post-employment benefits

The Group has occupational pension plans in several countries established partly as defined benefit plans (in Norway), partly as multi-employer defined benefit plans accounted for as defined contribution plans (in Norway) and partly as defined contribution plans (in Norway and other countries). The pension plans are measured and presented according to IAS 19.

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

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

Mortality index used in actuarial calculations is K2013.

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

Defined benefit pension plans

The Group has funded defined benefit pension schemes in five Norwegian companies covering a total of 46 active members and 29 pensioners as at 31 December 2020 (424 active members and 81 pensioners as at 31 December 2019). 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 entitles 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 2020 and 2019 required to account for these plans as defined benefit plans, and the plans are therefore accounted for as defined contribution plans.

In 2020 the funded pension scheme for seamen's early retirement was settled, resulting in a loss of USD 0.3 million, see table below.

Amounts recognised in Statement of Financial Position

USD thousands	31.12.2020	31.12.2019
Present value of funded obligations	22,542	48,055
Fair value of plan assets	18,820	42,190
Deficit of funded plans	3,722	5,865
Present value of unfunded obligations	3,180	1,860
Total deficit of defined benefit pension plans	**6,902**	**7,725**

Movements in the net defined benefit obligation

USD thousands	Present value of obligation 2020	Fair value of plan assets 2020	Total 2020	Present value of obligation 2019	Fair value of plan assets 2019	Total 2019
At 1 January	**49,915**	**(42,190)**	**7,725**	**47,621**	**(37,687)**	**9,934**
Current service cost	937	-	937	3,708	-	3,708
Loss on plan amendment, curtailment and settlement	320	-	320	-	-	-
Interest expense/ (income)	363	(271)	93	1,219	(860)	359
Total amount recognised in profit or loss	**1,621**	**(271)**	**1,350**	**4,928**	**(860)**	**4,067**
Re-measurements:						
Loss from change in discount rate	2,330	-	2,330	3,813	-	3,813
Gain from change in other financial assumptions	(1,026)	55	(971)	(2,323)	321	(2,002)
Experience (gains)/loss	1,197	(71)	1,125	(1,738)	85	(1,653)
Investment management cost	-	130	130	-	232	232
Total amount recognised in other comprehensive income	**2,501**	**113**	**2,614**	**(249)**	**639**	**390**
Exchange differences	(1,219)	1,097	(123)	(490)	380	(110)
Contributions:						
Employers	(572)	(4,058)	(4,631)	(792)	(5,618)	(6,411)
Payments from plans:			-			-
Benefit payments	(289)	256	(34)	(1,102)	957	(145)
Settlements	(26,234)	26,234	-	-	-	-
At 31 December	**25,722**	**(18,820)**	**6,902**	**49,915**	**(42,190)**	**7,725**

The significant actuarial assumptions were as follows:

	31.12.2020	31.12.2019
Discount rate	1.50%	2.30%
Salary growth rate	2.00%	2.25%
Expected growth in G (base social security amount)	1.75%	2.00%
Pension growth rate	0.0%-1.75%	0.5%-2.0%

The fair value of plan assets is disaggregated by class as follows

	31.12.2020	31.12.2019
Shares	7%	12%
Short term bonds	20%	13%
Money market	11%	18%
Long term bonds	31%	31%
Loans & Receivables	17%	14%
Real estate	14%	11%
Other	0%	1%

Estimated premium payments to funded defined benefit obligations in 2021 amounts to about USD 1 million.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

	Change in assumption by:	Impact on Present value of obligation:		Change in assumption by:	Impact on Present value of obligation:	
		2020	2019		2020	2019
Discount rate	+0.5%	(592)	(3,823)	-0.5%	664	4,252
Salary growth rate	+0.5%	210	3,143	-0.5%	(243)	(3,419)
Pension growth rate	+0.5%	333	1,895	-0.5%	(33)	(1,689)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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

USD thousands	2020	2019
Pension expenses (-net gain) from defined benefit scheme included in personnel expenses	1,257	3,708
Pension expenses from defined contribution schemes	12,400	10,706
Pension expenses from multi-employer plans accounted for as defined contribution schemes	6,194	4,401
Total pension expenses included in personnel expenses	**19,852**	**18,816**

See also Note - 8 Personnel expenses for further information regarding personnel expenses.

Note - 22 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are financial liabilities recognised initially at fair value and subsequently measured at face value, due to short time to maturity. Also refer to accounting policies in Note - 15 Financial assets and liabilities.

Note - 23 Other liabilities

Other current liabilities specification

USD thousands	31.12.2020	31.12.2019
Social security and other taxes	25,075	21,172
Accrued salaries, holiday pay and employee bonus provisions	37,107	27,424
Other payables and financial liabilities	6,589	12,558
Other accrued expenses	22,822	20,769
Total other current liabilities	**91,594**	**81,924**

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 24 - Financial risk management

Capital management and funding

The primary objective of the Group`s capital management is to ensure that it maintains required capital ratios and liquidity available to support the business areas. Capital management should be such that the capital structure is sufficiently robust to withstand prolonged adverse conditions in significant risk factors, such as long-term down-cycles in our markets and unfavourable conditions in financial markets. Capital management also comprise securing the company to be in compliance with covenants on interest bearing debt. Reference is made to Note - 19 Interest-bearing borrowings which disclose information about covenants on long term interest bearing liabilities.

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

Deposits / placements

The liquidity management has four main objectives:

- Matching of surplus funds against borrowing requirements.
- Secure a high level of liquidity (a targeted minimum of two months cash flow) in order to meet future plans of Odfjell Drilling.
- Limitation of credit risks.
- Maximise return on liquid assets.

Accordingly, investments may only be made in securities with a rating of Investment grade, BAA (Moodys) , BBB- (Standard and Poors and Fitch IBCA) or better.

A list of counter party exposure limits is reported to the Board of Odfjell Drilling on a yearly basis.

The following instruments are allowed for short term placements;

- Deposits in banks
- Loans to companies/institutions/funds (like fixed or floating rate bonds, senior or subordinated debt)
- Certificates
- Money-market funds

Working Capital

The company's policy is to have working capital corresponding to two months' operating expenses.

	31.12.2020	31.12.2019
Equity	1,197,868	1,062,378
Total assets	2,640,491	2,686,396
Equity ratio	**45%**	**40%**
Cash and cash equivalents, excluding restricted capital	193,317	140,154
Available drawing facilities	-	25,000
Total available liquidity	**193,317**	**165,154**

Financial risk factors

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

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

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

Note 24 a) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and to have sufficient cash or cash equivalents at any time to be able to finance its operations and investments in accordance with the Group's strategic plan.

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

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

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

Odfjell Drilling held cash and cash equivalents amounting to USD 207 million at the end of 2020. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2021.

The liquidity risk is connected with the market risk and the re-contracting risk for mobile drilling units. The management continuously focuses on securing new profitable contracts for the Group's mobile drilling units to generate sufficient cash flow from operations, hence reducing the liquidity risk going forward.

Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters.

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The Group has per 31 December 2020 not received any formal material assessment which is not recognised in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such process, even if the final conclusion is in the Groups favour. See Note - 10 Income Taxes for further information.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024. The Group has one facility maturing in 4Q 2021. In addition, the commercial tranche of the Deepsea Aberdeen facility matures in 4Q 2021. The group is in discussions regarding an extension of both maturities. See Note - 19 Interest-bearing borrowingsfor 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.

Maturity of financial liabilities - 31.12.2020

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	115,714	448,514	116,424	660,045	-	1,340,698	1,211,591
Lease liabilities	4,035	3,600	6,727	17,361	24,614	56,338	44,553
Trade payables	52,643	25	-	-	-	52,667	52,667
Other current payables	87,997	3,597	-	-	-	91,594	91,594

Maturity of financial liabilities - 31.12.2019

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Interest-bearing borrowings	139,180	140,539	572,216	759,242	-	1,611,177	1,390,462
Lease liabilities	4,323	3,450	6,547	17,625	28,410	60,355	46,659
Trade payables	45,974	194	-	-	-	46,168	46,168
Other current payables	74,910	7,014	-	-	-	81,924	81,924

Note 24 b) 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 2021, as all units in the fleet has medium to long-term contracts.

Contract status and currency exposure in rig rates

Deepsea Atlantic has firm scope until Q2 2021 for Equinor under the Master Frame Agreement entered into between Equinor and Odfjell Drilling in May 2018. In addition, the rig is contracted to work at Johan Sverdrup phase 2 for Equinor and it is also expected that Equinor will utilise the rig continuously until this work starts in Q1 2022. The dayrates are split in a USD element and a NOK element.

Deepsea Stavanger returned from South Africa early in 2021 following a drilling campaign with Total. The rig re-commenced with Aker BP in April and has firm scope until Q3 2021 for Aker BP. Following the work for Aker BP, the rig will drill up to nine wells for Lundin whereof three wells are firm. The dayrates have a USD element and a NOK element.

Deepsea Nordkapp is operating for Aker BP under the Alliance Agreement on a 3+1 year contract, which started in May 2019. The dayrate includes USD and NOK elements in order to hedge the local currency exposure.

Deepsea Aberdeen is scheduled to work for Wintershall until it will commence its long-term contract with Equinor at the Breidablikk field first half 2022. The rate with Equinor consists of a USD element and a NOK element. The rate from Wintershall is solely in USD and the group has entered into currency forward contracts to hedge its currency exposure during most of the contract period.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively.

Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured on a continuous basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash-flow hedges). At the date of the hedging transaction, the Group 's documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

- The effective portion of the gain or loss on the cash flow hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement . The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.
- Amounts recognised directly in other comprehensive income are reclassified as income or expense in the income statement in the period when the hedged liability or planned transaction will affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income/expenses.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria or the group has elected not to apply hedge accounting, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

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

USD thousands	31.12.2020	31.12.2019
Current assets		
Foreign exchange contracts - at fair value through profit or loss	1,360	23
Foreign exchange contracts - cash flow hedges under hedge accounting	4,366	-
Total current derivative financial instruments asset	**5,726**	**23**
Non-current assets		
Interest rate swaps - cash flow hedges under hedge accounting	-	1,606
Total non-current derivative financial instruments asset	**-**	**1,606**
Non-current liabilities		
Interest rate swaps - at fair value through profit or loss	828	70
Interest rate swaps - cash flow hedges under hedge accounting	10,545	482
Warrant liability - at fair value through profit or loss	5,250	9,111
Total non-current derivative financial instruments liabilities	**16,623**	**9,663**

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

Cash flow hedging reserves

USD thousands	Currency forwards	Interest rate swaps	Total hedge reserves
Opening balance 1 January 2019	**-**	**-**	**-**
Change in fair value of hedging instruments recognised in OCI	-	1,266	1,266
Reclassified from OCI to profit or loss	-	(143)	(143)
Closing balance 31 December 2019	**-**	**1,124**	**1,124**
Change in fair value of hedging instruments recognised in OCI	4,366	(13,651)	(9,285)
Reclassified from OCI to profit or loss	-	1,982	1,982
Closing balance 31 December 2020	**4,366**	**(10,545)**	**(6,179)**

In addition to the amounts disclosed in the reconciliation of the hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

Amounts recognised in profit or loss

USD thousands	31.12.2020	31.12.2019
Interest rate swaps - at fair value through profit or loss		
Amounts recognised in interest expenses	(430)	217
Change in fair value	(758)	(669)
Foreign exchange contracts - at fair value through profit or loss		
Change in fair value	1,337	23
Warrant liability - at fair value through profit or loss		
Change in fair value	3,861	(9,111)

Foreign exchange risk

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and NOK. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The group is exposed to risks due to fluctuations in exchange rates, especially as charter contracts are normally 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 - 31.12.2020

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	70,607	8,740	7,353
Trade receivables	65,300	18,705	8,945
Contract assets	7,361	-	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(40,825)	(1,803)	(1,925)
Trade payables	(30,085)	(3,861)	(4,065)
Other current payables	(72,202)	(2,492)	(1,748)
Foreign currency forwards			
Buy foreign currency (cash flow hedges under hedge accounting)	46,348	-	-
Buy foreign currency (at fair value through profit or loss)	15,639	-	-

Foreign exchange risk - Exposure - 31.12.2019

USD thousands	NOK	GBP	Other non-USD currencies
Cash and cash equivalents	62,085	2,053	6,059
Trade receivables	75,676	25,523	12,519
Contract assets	5,638	1,214	-
Interest-bearing borrowings	-	-	-
Lease liabilities	(42,494)	(2,087)	(2,077)
Trade payables	(19,574)	(6,877)	(2,845)
Other current payables	(53,585)	(5,338)	(2,840)
Foreign currency forwards			
Buy foreign currency (at fair value through profit or loss)	8,028	-	

Foreign currency forwards

	Currency	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
31.12.2020						
Foreign exchange contracts (cash flow hedges under hedge accounting)	NOK	395,472	April 2021 - November 2021	1:1	0.11728	4,366
Foreign exchange contracts (at fair value through profit or loss)	NOK	133,443	January 2021 - March 2021	1:1	0.11737	1,360
31.12.2019						
Foreign exchange contracts (at fair value through profit or loss)	NOK	70,485	January 2020 - August 2020	1:1	0.11350	23

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

USD thousands	2020	2019
Net currency gain / (loss) included in finance costs	(3,712)	(3,712)

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 thousands	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Cash and cash equivalents	(8,848)	6,472	(4,826)	3,530	5,899	(4,315)
Current receivables	3,187	4,352	1,738	2,374	(2,125)	(2,901)
Current liabilities	(249)	(2,192)	(136)	(1,196)	166	1,461
Net effect on profit before tax	**(5,910)**	**8,632**	**(3,224)**	**4,708**	**3,940**	**(5,755)**
Effect on Other comprehensive income	(8,012)	(20,615)	(4,370)	(11,245)	5,341	13,743
Net effect on total comprehensive income / equity	**(13,922)**	**(11,983)**	**(7,594)**	**(6,536)**	**9,281**	**7,989**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates. Apart from the fixed interest GIEK / Export Credit tranche of the Deepsea Aberdeen facility, the Group's borrowings have floating USD LIBOR based interest rates. The Group evaluates the share of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors is on regular basis considering the interest payment hedging of the external financing and mandate administration to execute necessary changes.

The Group had 14 interest rate swap agreements at 31 December 2020. Quoted mark-to-market values from financial institutions have been used to determine the fair value of the swap agreements at the end of the year. Some of the instruments were documented as cash flow hedges and other as financial investments, and changes in fair value were recognised in other comprehensive income (cash flow hedging) and others recognised through profit and loss statement (financial investments not defined as cash flow hedges).

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

Including interest rate swaps entered into, the fixed-rate portion of the group's interest bearing debt per 31 December 2020 is approximately 54%.

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

Average interest rate for 2020 was 4.7% (5.8% for 2019), 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 31.12.2020 the Group held the following LIBOR based interest rate swaps:

USD thousands	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
At fair value through profit or loss	26,000	2021	1:1	1.8530%	(238)
Cash flow hedges under hedge accounting	282,237	2023	1:1	1.4392%	(8,216)
Cash flow hedges under hedge accounting	72,500	2024	1:1	1.4371%	(2,329)
At fair value through profit or loss	200,000	2025	1:1	0.4350%	(590)

As of 31.12.2019 the Group held the following LIBOR based interest rate swaps:

USD thousands	Notional amount	Maturity date	Hedge ratio	Weighted average hedged rate	Carrying amount
At fair value through profit or loss	32,000	2021	1:1	1.8530%	(70)
Cash flow hedges under hedge accounting	195,641	2023	1:1	1.6251%	1,124

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

USD thousands	31.12.2020	% of total loans	31.12.2019	% of total loans
Variable rate borrowings - USD LIBOR	557,326	46%	1,072,068	77%
Fixed rate borrowings - repricing or maturity dates:				
Less than 1 year	106,000	9%	100,000	7%
1-5 years	554,737	45%	227,641	16%
Later than 5 years	-	0%	-	0%
Total contractual amounts[*]	**1,218,063**	**100%**	**1,399,709**	**100%**

[*] Including Seller's credit

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

- If interest is increased by 1.0 %, the effect would be an increase in financing costs of USD 5 million for the next 12 months as at 31 December 2020, compared to 10 million at 31 December 2019.

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference USD LIBOR to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

Group treasury is managing the group's USD LIBOR transition plan. The greatest change will be amendments to the contractual terms of the USD LIBOR-referenced floating-rate debt and the associated swaps and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

Relief applied

The group has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

- When considering the 'highly probable' requirement, the group has assumed that the USD LIBOR interest rate on which the group's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the group has assumed that the USD LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.
- The group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Warrant liabilities

On 30 May 2018 the company issued warrants for 5,925,000 common shares to an affiliate of Akastor ASA for a total consideration of USD 1.00. The Warrants will be exercisable in six equal tranches from 2019 to 2024. A tranche which has become exercisable may also be exercised on the exercise dates for the subsequent tranches if the conditions for such subsequent exercise(s) are satisfied. Each tranche may be exercised if the price of the Shares has increased by a defined percentage over NOK 36 on the relevant exercise date (i.e. 31 May in 2019, 2020, 2021, 2022, 2023 and 2024 respectively), being NOK 43.20 for tranche 1, NOK 51.84 for tranche 2, NOK 62.21 for tranche 3, NOK 74.65 for tranche 4, NOK 89.58 for tranche 5 and NOK 107.50 for tranche 6. On 30 May 2024, any non-exercised Warrants will, to the extent the thresholds have not been met, be exercisable on a linear prorate basis, subject to the company's share price being within the range of NOK 36 and NOK 107.50.
For each Warrant held, the holder shall be entitled to subscribe for one new common Share in the Company at a subscription price of USD 0.01.

No warrants have been exercised in 2019 or 2020.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognised in the consolidated statements of operations and comprehensive loss at each period-end. The derivative liabilities will ultimately be converted into the Company's equity (common shares) if and when the warrants are exercised, or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value. Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the warrant is exercised less the exercise price of the warrant) . Any remaining fair value is recorded through the statement of operations and comprehensive loss as part of the change in estimated fair value of derivative warrant liabilities.

The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions.The path-dependent nature of the instrument is modelled using a Monte Carlo simulation approach which uses computer generated random numbers to simulate share price paths.The price paths are generated using a process known as Geometric Brownian Motion (GBM). The price distributions generated by GBM are consistent with the assumptions underlying the widely used Black-Scholes model to price equity options.
The key modelling parameter is the expected ODL share price volatility. While data is available to estimate this volatility, specialists can reasonably arrive at different assumptions depending on their judgement.

The calculations are based on the following assumptions:

- Valuation date : 31 December 2020
- Share price: NOK 17.14
- Volatility of share price: 80.09%
- Risk-free interest rate: 0.64%
- USD/NOK exchange rate: 8.5326
- Dividend yield: zero
- No tranches have been exercised

Based on the valuation, fair value of the warrant liability is estimated to be NOK 45 million / USD 5.25 million as at 31 December 2020 (NOK 80 million / USD 9.1 million as at 31 December 2019).

The positive change in fair value in 2020 of USD 3.9 million (negative change of USD 9.1 million in 2019) was recognised as part of Other financial items.

Note 24 c) Credit risk

Accounting policy

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

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

Further description

The Group operates in three core business areas: Mobile offshore drilling units; (MODU), Drilling & Technology and Well Services (OWS). The market for the Group's services is the offshore oil and gas industry, and the customers consist primarily of major integrated oil companies, independent oil and gas producers and government owned oil companies. The Group performs ongoing credit evaluations of the customers and generally does not request material collateral.

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

During 2020, the Group has continued its focus on credit risk in general related to the uncertain conditions in some geographical markets. The maximum exposure regarding trade receivables is the carrying amount of USD 162 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 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Included in the Trade receivables as at 31 December 2019 and 31 December 2020 the Group has an outstanding amount of USD 4.6 million towards customers in Iran. The Group's activities in Iran ceased prior to reinforcement of US sanctions early November 2018. No payments have been received after this date, due to no current efficient bank channels out of Iran. The Iranian customers are working on improving the liquidity situation and finding appropriate payment routes. The Group's Iranian customers have previously demonstrated that they prioritise supplier payments, and although delayed, they have historically paid their outstanding. No impairment loss have been accrued for these Trade receivables as at 31 December 2020.

The ageing of the trade receivables - 31.12.2020

	Expected loss rate	Gross amount	Loss allowance	Net amount
USD thousands		31.12.2020	31.12.2020	31.12.2020
Not due	0.0%	96,805	(3)	96,802
0 to 3 months	0.2%	54,688	(113)	54,575
3 to 6 months	5.8%	3,068	(178)	2,890
Over 6 months	9.9%	8,461	(839)	7,622
Total		**163,021**	**(1,132)**	**161,889**

Contract assets - 2020

	Expected loss rate	Gross amount	Loss allowance	Net amount
USD thousands		31.12.2020	31.12.2020	31.12.2020
Not due	0.0%	9,898	-	9,898

The ageing of the trade receivables - 31.12.2019

	Expected loss rate	Gross amount	Loss allowance	Net amount
USD thousands		31.12.2019	31.12.2019	31.12.2019
Not due	0.0%	124,998	0	124,998
0 to 3 months	0.1%	40,541	(25)	40,516
3 to 6 months	0.3%	1,519	(5)	1,514
Over 6 months	12.0%	8,105	(975)	7,129
Total		**175,163**	**(1,005)**	**174,158**

Contract assets - 2019

	Expected loss rate	Gross amount	Loss allowance	Net amount
USD thousands		31.12.2019	31.12.2019	31.12.2019
Not due	0.0%	9,392	-	9,392

Movements in loss allowance / the provision for impairment of trade receivables and contract assets are as follow:

USD thousands	Trade receivables 2020	Trade receivables 2019	Contract assets 2020	Contract assets 2019
Loss allowance as at 1 January	1,005	1,506	-	-
Utilised	(218)	(462)	-	-
Released provision	(213)	(165)	-	-
New provisions	502	149	-	-
Translation differences	56	(23)	-	-
Loss allowance as at 31 December	**1,132**	**1,005**	**-**	**-**

USD thousands	2020	2019
Net gain (loss) related to trade receivables	279	17

The impairment losses recognised are related to receivables arising from the Group's contracts with customers.

Note 25 - Share capital and shareholder information

Share capital

	No.of shares	Nominal value	Share capital USD thousands
Listed shares			
Common shares issued as at 1 January 2020	236,783,202	USD 0.01	2,368
Common shares issued as at 31 December 2020	**236,783,202**		**2,368**
Preference shares			
Preference shares issued as at 1 January 2020	16,123,125	USD 0.01	161
Total issued preference shares as at 31 December 2020	**16,123,125**		**161**

There are no changes in issued shares or preference shares in 2020.

Preference shares

The preference shares are issued to an affiliate of Akastor ASA. The preference shares do not carry any voting rights. The Preference Shares will entitle the holder(s) to a preferred payment in kind dividend of 5% per annum capitalised semi-annually, as well as a cash dividend of 5% per annum paid semi-annually. The Company may elect to postpone the payment of the cash dividend in return for a 5% increase per annum. From 30 May 2024 there will be a dividend step-up, provided that the preference capital and dividends have not been repaid. The Company does not have any obligation to repay the Preference Shares, but have the right to call a portion, or all of the preference shares in exchange for a cash consideration. If the Preference Shares are called before six years after the issue the company will have to pay a premium.

Accounting policy - Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Preferred payment in kind dividend - 2020

At 30 June 2020 and at 31 December 2020 preferred payment in kind dividend in a total of USD 4.1 million was capitalised, increasing the accrued preference capital balance to USD 85 million.

For information about warrants, refer to Note 24 - Financial risk management.

Largest common shareholders at 31 December 2020

	Account type	Holding	% of shares
Odfjell Partners Ltd.	Ordinary	142,476,191	60.17%
The Bank of New York Mellon SA/NV	Nominee	7,396,885	3.12%
J.P.Morgan Securities PLC	Nominee	4,873,128	2.06%
J.P.Morgan Chase Bank N.A. London	Nominee	3,992,224	1.69%
Brown Brothers Harriman & Co.	Nominee	2,852,082	1.20%
J.P.Morgan Securities PLC	Ordinary	2,820,032	1.19%
J.P.Morgan Securities PLC	Nominee	2,570,647	1.09%
The Bank of New York Mellon SA/NV	Nominee	2,385,598	1.01%
BNP Paribas Securities Services	Nominee	2,264,800	0.96%
J.P.Morgan Securities LLC	Nominee	1,976,884	0.83%
State Street Bank and Trust Co.	Nominee	1,920,375	0.81%
Cape Invest AS	Ordinary	1,837,000	0.78%
Brown Brothers Harriman & Co.	Nominee	1,835,680	0.78%
State Street Bank and Trust Co.	Nominee	1,752,618	0.74%
Citibank N.A.	Nominee	1,550,010	0.65%
Skandinaviska Enskilda Banken AB	Nominee	1,526,400	0.64%
Morgan Stanley & Co. LLC	Ordinary	1,501,107	0.63%
Skandinaviska Enskilda Banken AB	Nominee	1,500,000	0.63%
Nordnet Livsforsikring AS	Ordinary	1,111,186	0.47%
Brown Brothers Harriman & Co.	Nominee	1,090,500	0.46%
Total 20 largest common shareholders		**189,233,347**	**79.92%**
Other common shareholders		47,549,855	20.08%
Total common shareholders		**236,783,202**	**100.00%**

Note 26 - Other reserves

USD thousands	Note	Financial instruments	Translation differences	Share-Option plan	Acquisition non-controlling interests	Total
At 1 January 2019		-	(75,934)	288	(34,496)	(110,142)
Financial instruments, under hedge accounting	24	1,124	-		-	1,124
Currency translation difference - Group		-	446		-	446
Cost of share-based option plan	35	-	-	528	-	528
At 31 December 2019		**1,124**	**(75,488)**	**816**	**(34,496)**	**(108,045)**
Financial instruments, under hedge accounting	24	(7,303)	-	-	-	(7,303)
Currency translation difference - Group		-	4,785	-	-	4,785
Cost of share-based option plan	35	-	-	529	-	529
At 31 December 2020		**(6,179)**	**(70,703)**	**1,345**	**(34,496)**	**(110,034)**

Note 27 - Securities and mortgages

Liabilities secured by mortgage

USD thousands	31.12.2020	31.12.2019
Non current liabilities - contractual amounts	706,853	1,191,499
Current liabilities	517,219	216,745
Total	**1,224,072**	**1,408,243**

Carrying amount of mortgaged assets:

USD thousands	31.12.2020	31.12.2019
Property, plant and equipment	2,203,387	2,280,867
Receivables and contract assets	195,622	201,780
Bank deposits	206,895	169,694
Total	**2,605,904**	**2,652,341**

Odfjell Invest Ltd. – USD 425 million Facility

USD 425 million term loan facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 552.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

As security for the loan, substantially all of the assets of Odfjell Invest Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the shares in Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling South Africa Ltd., mortgages over the semi-submersible drilling rigs Deepsea Atlantic and Deepsea Stavanger and assignment of rights to revenue, interest proceeds and bank accounts. In addition, the shares in Odfjell Invest Ltd., have been pledged by Odfjell Rig Owning Ltd., in favour of the lenders. Odfjell Drilling AS' shares in the charter company Odfjell Invest AS have also been pledged.

Deep Sea Atlantic (UK) Ltd., Deep Sea Stavanger (UK) Ltd., Odfjell Drilling South Africa Ltd., Odfjell Drilling Ltd. and Odfjell Rig Owning Ltd. have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents.

Odfjell Invest Ltd. – USD 100 million Junior Facility

USD 100 million junior facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 130 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

The facility is covered by the same security package as the USD 425 million facility on a second priority basis.

Odfjell Rig III Ltd. – USD 530 million Facility

USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 636 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

As security for the facilities, substantially all of the shares in and assets of Odfjell Rig III Ltd., and Odfjell Drilling Shetland Limited is pledged in favour of the lenders and hedging banks, including a mortgage in Deepsea Aberdeen. Also, Odfjell Drilling Ltd., Odfjell Rig Owning Ltd., and Odfjell Offshore Ltd., have guaranteed the obligors' obligations under the finance documents.

Odfjell Drilling Services Ltd. – USD 250 million facility

USD 250 million senior secured credit facility agreement originally entered into in an amount of up to USD 450 million on 6 May 2014 with Odfjell Drilling Services Ltd., as borrower and DNB Bank ASA acting as agent on behalf of the lenders. The facility was amended and extended on 26 June 2019.

As security for the loan, Odfjell Drilling Ltd., Odfjell Well Services II Ltd., Odfjell Partners Invest Ltd., Odfjell Drilling AS, Odfjell Platform Drilling AS, Odfjell Drilling Technology AS, Odfjell Well Services AS, Odfjell Global Business Services AS and Odfjell Well Services Norway AS have guaranteed as and for its own debt the due and punctual observance and performance of the obligors' obligations under the finance documents. Further, substantially all of the assets of Odfjell Drilling Services Ltd., and its subsidiaries have been pledged in favour of the lenders. This includes the borrower's shares in Odfjell Partners Invest Ltd., Odfjell Drilling Technology AS and Odfjell Platform Drilling AS, the shares owned by Odfjell Partners Invest Ltd., in Odfjell Well Services Norway AS, Odfjell Well Services AS, Odfjell Well Services Ltd., and Odfjell Well Services II Ltd., and pledge granted by Odfjell Partners Invest Ltd., and Odfjell Well Services II Ltd., over (in aggregate) 100% of the membership interests in Odfjell Well Services Cooperatief U.A. In addition, Odfjell Drilling Ltd., has pledged 100 per cent of the shares in Odfjell Drilling Services Ltd., Odfjell Rig Owning Ltd., Odfjell Global Business Services AS and Odfjell Offshore Ltd., and Odfjell Rig Owning Ltd has pledged all its shares in Odfjell Drilling AS.

The loan is also secured with first priority assignments by Odfjell Drilling Services Ltd., and the guarantors (as listed above) of inter-company claims exceeding a certain threshold or term, as well as all accounts receivables, book debts, other debts, financial obligations or other amounts of other kind (including interest) owing, or which with the passage of time would become owing to the borrower and the guarantors.

Finally, the loan is secured by first priority floating charges over the assets of each of Odfjell Drilling Services Ltd., Odfjell Well Services II Ltd., and Odfjell Partners Invest Ltd.

Odfjell Rig V Ltd. – USD 325 million Facility

USD 325 million term loan facility agreement entered into on 30 October 2018 with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.

All of the shares in and substantially all of the assets of Odfjell Rig V Ltd., have been pledged in favour of the lenders, including a mortgage over Deepsea Nordkapp which was established at delivery of the unit on 7 January 2019. Also, Odfjell Rig Owning Ltd. and Odfjell Invest II AS, have guaranteed the obligors' obligations under the finance documents. In addition, Odfjell Drilling AS has pledged its shares in Odfjell Invest II AS as security.

Odfjell Rig V Ltd. – USD 43.25 million seller's credit from Samsung

USD 43.25 million seller's credit granted to Odfjell Rig V Ltd by Samsung Heavy Industries at delivery of Deepsea Nordkapp 7 January 2019.

The seller's credit is secured by a second priority mortgage over Deepsea Nordkapp, a second priority assignment of insurances and a parent company guarantee from Odfjell Rig Owning Ltd. The maximum liability of Odfjell Rig Owning Ltd shall be USD 43.25 million plus any amount of unpaid interest and other expenses under the agreement.

Note 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.

A provision for restructuring costs is recognised when a constructive obligation arises. Such an obligation is assumed to have arisen when the restructuring plan is approved and the implementation of the plan has begun or its main features are announced to those affected by it.

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

Significant judgement and estimation uncertainty

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

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The Group is aware of challenges to historic employment practices which may have an impact on the Group. This includes a challenge by HMRC into the historic application of employer's National Insurance Contributions (NIC) to workers on the UK Continental Shelf. We believe that we are in a strong position to defend this challenge and that our technical position is robust, therefore as a result we do not expect that it is probable that a liability will arise and no provision has been made.There are no other material contingencies to be disclosed as at 31 December 2020.

Note 29 - Commitments

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

USD thousands	2020	2019
Rig investments	31,664	8,869
Rental and casing equipment, due in 1 year	2,811	4,619
Total	**34,455**	**13,488**

Operating lease commitments

The Group leases various offices, warehouses and workshops under operating lease arrangements. The lease terms are between 1 and 11 years, and the majority of the lease arrangements are renewable at the end of the lease period at market rates.

In addition the Group has operating lease commitments related to equipment etc. with lease terms between 1 and 5 years.

From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note - 20 Leases Leases for further information.

Note 30 - Events after the reporting period

The following material events have occurred after balance date:

More work for Deepsea Atlantic

Equinor has on 18 January 2021, 17 March 2021 and 22 March 2021, respectively, exercised three additional wells to Deepsea Atlantic. The wells have been exercised under the Continued Optionality mechanism in the contract entered into between the parties in May 2018, as part of the overall Master Frame Agreement. The work will be performed in Q2 and Q3 2021 back to back with the current scope. The commercial terms are materially the same as for the recently announced Johan Sverdrup Phase 2 contract award.

Lundin awards letter of intent to Deepsea Stavanger

Lundin Energy Norway and Odfjell Drilling have, on 25 January 2021, signed a letter of intent for the use of Deepsea Stavanger. The letter of intent was formalized into a contract on 2 March 2021. The contract is set to commence in Q3 2021 with a duration of three firm wells plus six optional wells. The firm contract scope has an estimated contract value of approximate USD 33 million plus incentives. The contract is set to commence in Q3 2021, back-to-back with Deepsea Stavanger's five well contract with Aker BP.

AkerBP exercised fourth year for Deepsea Nordkapp

AkerBP has on 22 March 2021 exercised the second 12-month option for Deepsea Nordkapp under the Contract entered into between the parties on April 2018. The second 12 month option shall commence after expiry of the first optional period in June 2022. The approximate contract value for the exercised optional scope is USD 109 million (excluding any integrated services). In addition, a performance bonus will be applicable.

Odfjell Platform Drilling and Maintenance Contract Award

TAQA in the UK has on 19 March 2021 awarded Odfjell Drilling (UK) Limited ("Odfjell Drilling") a five-year contract for the provision of Platform Drilling & Maintenance Services on its North Sea installations including North Cormorant, Harding, Tern Alpha, Brae Alpha and East Brae. Odfjell Drilling is the incumbent Platform Drilling & Maintenance Services contractor for three of these installations under a contract awarded in 2017 and this new agreement will replace the existing contract, with the addition of Brae Alpha and East Brae. The new contract will be effective from June 15th 2021.

Other

Refer to Note - 10 Income Taxes for information regarding letter received in March 2021 from the Norwegian Tax authorities.

There have been no other events after the balance date with material effect for the financial statements ended 31 December 2020.

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Note 31 - Interests in other entities - Material subsidiaries

The group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

Name of entity	Country of incorporation	Principal place of business	Functional currency	Ownership interest held by group - % 2020	2019	Principal activities
Odfjell Rig Owning Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Invest Ltd.	Bermuda	UK	USD	100	100	Holding company
Deep Sea Atlantic (UK) Ltd.	England	United Arab Emirates	USD	100	100	Rig owning
Deep Sea Stavanger (UK) Ltd.	England	United Arab Emirates	USD	100	100	Rig owning
Odfjell Drilling South Africa Ltd.	Scotland	South Africa	USD	100	100	Drilling operations
Odfjell Rig II Ltd.	Bermuda	United Arab Emirates	USD	100	100	Rig owning
Odfjell Rig III Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Drilling Shetland Ltd.	Scotland	United Arab Emirates / UK	USD	100	100	Rig owning / Drilling operations
Deep Sea Drilling Company AS	Norway	Norway	NOK	100	-	Drilling operations
Odfjell Rig V Ltd.	England	United Arab Emirates	USD	100	100	Rig owning
Odfjell Drilling AS	Norway	Norway	NOK	100	100	Management
Deep Sea Management AS	Norway	Norway	NOK	100	100	Crewing
Odfjell Invest AS	Norway	Norway	NOK	100	100	Drilling operations
Deep Sea Drilling Company I AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Invest II AS	Norway	Norway	NOK	100	100	Drilling operations
Odfjell Drilling Services Ltd.	Bermuda	UK	USD	100	100	Holding company
Odfjell Platform Drilling AS	Norway	Norway	NOK	100	100	Drilling operation and maintenance of fixed installations
Odfjell Drilling Management AS	Norway	Norway	NOK	100	100	
Odfjell Drilling (UK) Ltd.	Scotland	UK	GBP	100	100	
Odfjell Partners Invest Ltd.	Bermuda	United Arab Emirates	USD	100	100	Holding company / Well services equipment owner
Odfjell Well Services II Ltd.	Bermuda	Kurdistan	USD	100	100	Well services
Odfjell Well Services Cooperatief U.A.	Netherlands	Europe	EUR	100	100	Well services
Odfjell Well Services SRL	Romania	Europe	RON	100	100	Well services
Odfjell Well Service (UK) Ltd.	Scotland	UK	GBP	100	100	Well services
Odfjell Well Services Norway AS	Norway	Norway	NOK	100	100	Well services
Odfjell Well Services AS	Norway	Norway	NOK	100	100	Well services
Odfjell Well Services Ltd.	British Virgin Islands	United Arab Emirates	USD	100	100	Well services
Odfjell Drilling Technology AS	Norway	Norway	NOK	100	100	Engineering
Odfjell Drilling Philippines Corporation	Philippines	Philippines	PHP	100	100	Group Business Services
Odfjell Global Business Services AS	Norway	Norway	NOK	100	100	Group Business Services
Odfjell Offshore Ltd.	Bermuda	Norway	USD	100	100	Holding company
Oceanwind AS	Norway	Norway	NOK	28	0	Offshore wind turbines

Note 32 - Investments in joint ventures and associates

Accounting policy

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Single Purpose Companies (SPC's)

The Group had, through subsidiary Odfjell Drilling Brasil BV, an owner share of 20% in Guarapari Drilling BV, Itaoca Drilling BV and Siri Drilling BV as of 31 December 2019. These three companies were all SPC's related to the Sete newbuild projects in Brazil. Odfjell Drilling Brasil BV had suspended further equity contributions into the Sete newbuild projects.

During 2020 all shares in these three SPC's were sold for EUR 1.

Note 33 - Related parties - transactions, receivables, liabilities and commitments

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.17% of the common shares. Chairman of the Board, Helene Odfjell, controls Odfjell Partners Ltd.

Susanne Munch Thore (Director) controls 3,000 (0.00%) of the common shares in the company as per 31 December 2020.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 December 2020.

Simen Lieungh (CEO in Odfjell Drilling AS) controls 473,190 (0.40%) of the common shares in the company as per 31 December 2020.

See Note 35 - Share-based payments for information about the long term incentive share option programme with Simen Lieungh, CEO in Odfjell Drilling AS.

The Group have lease agreements with the related party Kokstad Holding AS Group (related to main shareholder). Reported lease liability to Kokstad Holding AS Group as at 31 December 2020 is USD 37 million (USD 38 million as at 31 December 2019), while payments in 2020 amounts to USD 5.6 million (USD 5.4 million in 2019).

Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown in Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor.

Commitments towards related parties:

The Group leases various offices under operating lease agreements. The lease terms are between 1 and 11 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

From 1 January 2019, the group has recognised right-of-use assets for these leases, see Note - 20 Leases for further information.

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Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor

Details of salary, variable pay and other benefits provided to Group management in 2020:

USD thousands		Salary	Bonus	Pension premium	Other remuneration	Total
Simen Lieungh	CEO - Odfjell Drilling AS	586	477	13	48	1,125
Atle Sæbø	CFO - Odfjell Drilling AS	293	207	21	24	545
Bjarte Mossefinn	General Manager - Odfjell Drilling Ltd.	270	90	-	8	368
Total		**1,149**	**774**	**34**	**81**	**2,038**

For details regarding incentive share option programme with the CEO of Odfjell Drilling AS, refer to Note 35 - Share-based payments

In April 2021, Simen Lieungh was granted a long term bonus agreement for a maximum accumulated value of NOK 30 mill. 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 a future restructuring of the Group.

Details of salary, variable pay and other benefits provided to Group management in 2019:

USD thousands		Salary	Bonus	Pension premium	Other remuneration	Total
Simen Lieungh	CEO - Odfjell Drilling AS	646	1,931	12	41	2,631
Atle Sæbø	CFO - Odfjell Drilling AS	309	182	20	27	537
Bjarte Mossefinn	General Manager - Odfjell Drilling Ltd.	304	40	0	17	361
Total		**1,259**	**2,153**	**32**	**85**	**3,530**

Fees to Board of non executive directors:

USD thousands	2020	2019
Helene Odfjell	74	85
Susanne Munch Thore	53	36
Alasdair Shiach	40	22
Thomas Marsoner	37	22
Carl-Erik Haavaldsen	-	27
Kirk L. Davis	-	7
Henry Hamilton III	-	27
Bengt Lie Hansen	-	27
Total remuneration to Board of non-executive directors	**204**	**252**

Fees to the Group's auditor

USD thousands	2020	2019
Audit (incl. technical assistance with financial statements)	570	609
Other assurance services	3	-
Tax advisory fee (incl. technical assistance with tax returns)	-	109
Fees for other services	24	-
Total remuneration to the Group's auditor	**597**	**718**

The fees are net of VAT.

In addition to fees to the Group's auditor listed in the table above, audit fees paid to other auditors for statutory audits of subsidiaries amount to USD 48 thousands in 2020 (USD 20 thousands in 2019).

Note 35 - Share-based payments

Accounting principle

The company have a long term equity settled incentive share option programme with the CEO of Odfjell Drilling AS, in which the employee receive 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 the CEO of Odfjell Drilling AS, Simen Lieungh, granting him options to purchase 960,000 common shares. On 19 November 2018 the subscription price in the programme was amended to NOK 26.65 per share. The options can only be exercised in three tranches of 320,000 options each, with vesting periods of two, three and four years. The options may be exercised during the subsequent year. Any options not exercised in the first two tranches can be rolled forward to the next tranches. Any options not exercised within 16 May 2023 will be terminated.

Overview of outstanding options:

	2020	2019
Outstanding options 1.1	960,000	960,000
Options granted	-	-
Options forfeited	-	-
Options exercised	-	-
Options expired	-	-
Outstanding options 31.12	**960,000**	**960,000**
Of which exercisable	320,000	

The fair value of the options has been calculated using Black & Scholes option-pricing model. The average fair value of the options granted (including amendment) in 2018 is NOK 17.61. The total cost of the share option plan and the amendment to the share option plan is calculated based on the fair value x options granted. The total cost equals approximately USD 2 million and is recognised over the period until May 2022.

The calculations are based on the following assumptions:

- The share price on the grant dates were set to the stock exchange price on the grant dates (16 May 2018 and 19 November 2018).
- The strike price per option was NOK 36 for the 16 May 2018 grant and NOK 26.65 for the 19 November amendment.
- The expected price volatility of the company's shares was set to 40% based on historical volatility adjusted for expected changes.
- The expiry date was set to 16 May 2023.
- The expected dividend yield was set to 0%.
- The risk-free interest rate was set to 1.899% for the 16 May 2018 grant and 1.911% for the 19 November 2018 adjustment.

Note 36 - Earnings per share

Accounting policy

The basic earnings per share are calculated as the ratio of the profit for the year that is due to the shareholders of the parent divided by the weighted average number of common shares outstanding.

When calculating the diluted earnings per share, the profit that is attributable to the common shareholders of the parent and the weighted average number of common shares outstanding are adjusted for all the dilution effects relating to warrants and share options.

The calculation takes account of all the warrants and share options that are "in-the-money" and can be exercised. In the calculations, warrants and share options are assumed to have been converted/ exercised on the first date in the fiscal year. Warrants and share options issued this year are assumed to be converted/ exercised at the date of issue/ grant date. The dilution effect on warrants and share options are calculated as the difference between average fair value in an active market and exercise price or the sum of the not recognised cost portion of the options.

Further description

The Company has issued warrants for 5,925,000 common shares, see further description in Note 24 b) Market risk, and has in addition a share option plan for 960,000 common shares, see further description in Note 35 - Share-based payments. The warrants represent contingently issuable shares.

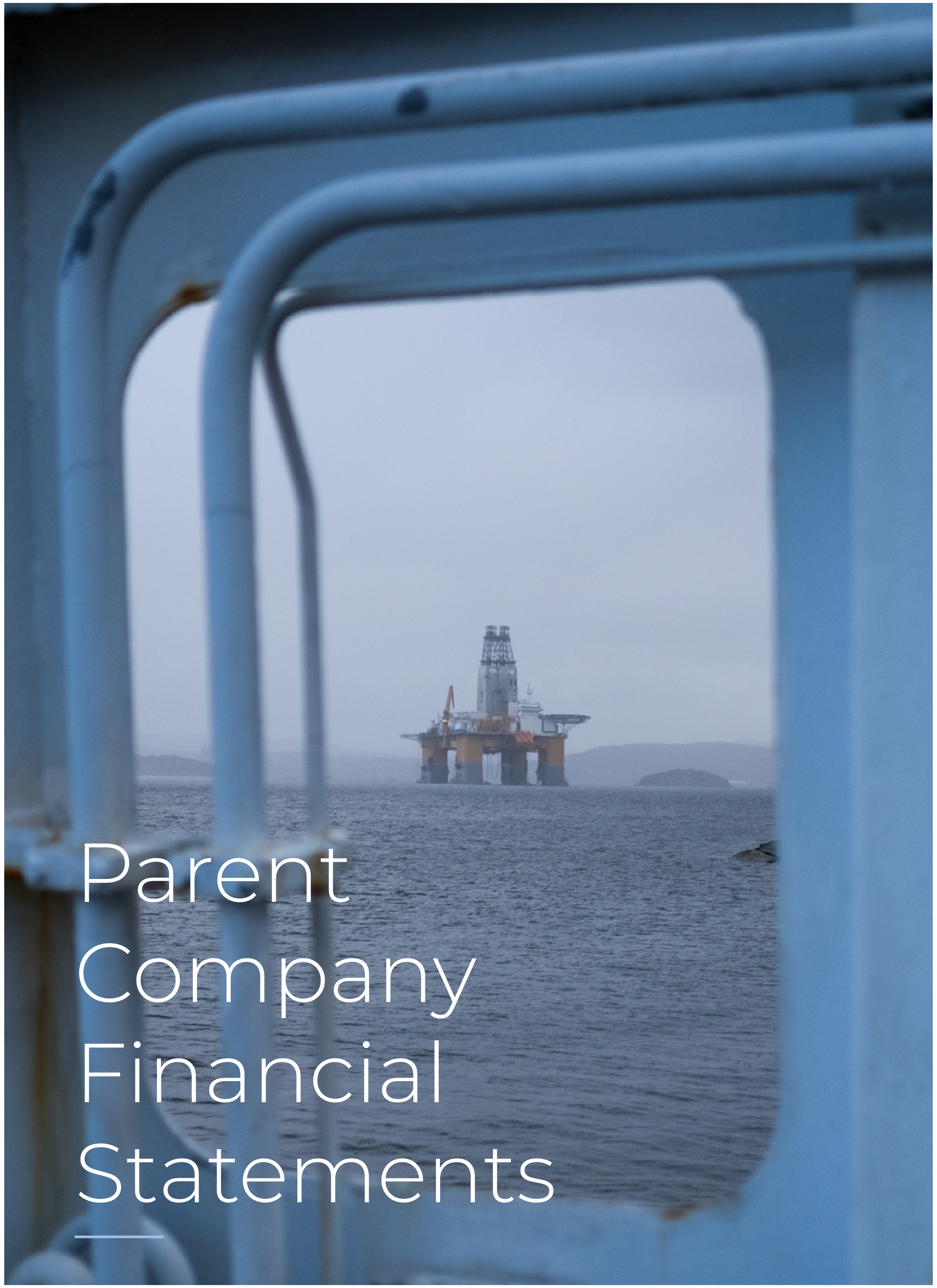
Neither the warrants nor the options affect the basic or diluted number of shares in 2019 or 2020, as the terms of execution have not occurred during the years and the share price is below level set in the warrant agreement.

The warrants and share option plan may have dilutive effects in later periods.

USD thousands	2020	2019
Profit/(loss) for the period	143,304	40,820
Adjustment for dividends on preference shares	(8,213)	(7,817)
Profit/(loss) for the period due to holders of common shares	**135,091**	**33,003**
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**135,091**	**33,003**

	2020	2019
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**

	2020	2019
Basic earnings per share	**0.57**	**0.14**
Diluted earnings per share	**0.57**	**0.14**



Parent Company Financial Statements

Income Statement

for the year ended 31 December

USD thousands	Note	2020	2019
Operating revenues	4	**71**	**71**
Personnel expenses	5	(1,361)	(1,183)
Other operating expenses	4,6	(904)	(1,802)
Total operating expenses		**(2,265)**	**(2,985)**
Operating profit / (loss) - EBIT		**(2,194)**	**(2,914)**
Interest income	4,7	13,538	20,676
Dividends from subsidiaries	4	7,565	-
Interest expenses	4,7	(15,649)	(21,080)
Impairment / reversal of impairment of investments in subsidiaries	8	3,300	6,100
Other financial items	7	7,228	(5,129)
Net financial items		**15,983**	**567**
Profit / (loss) before tax		**13,789**	**(2,347)**
Income tax (expense) / income	15	-	-
Profit / (loss) for the period		**13,789**	**(2,347)**
Of which attributable to common shareholders		5,576	(10,165)
Of which attributable to preference shareholders		8,213	7,817
Earnings per share (USD)			
Basic earnings per share	16	0.02	(0.04)
Diluted earnings per share	16	0.02	(0.04)

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

Statement of Comprehensive Income

for the year ended 31 December

USD thousands	Note	2020	2019
Profit / (loss) for the period		**13,789**	**(2,347)**
Other comprehensive income:			
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		**13,789**	**(2,347)**
Total comprehensive income for the period is attributable to:			
Common shareholders		5,576	(10,165)
Preference shareholders		8,213	7,817

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

Statement of Financial Position

USD thousands	Note	31.12.2020	31.12.2019	1.1.2019
Assets				
Investments in subsidiaries	8	1,109,471	1,106,171	1,076,071
Non-current receivables subsidiaries	4	273,158	270,604	297,443
Total non-current assets		**1,382,629**	**1,376,775**	**1,373,514**
Other current assets		12	25	31
Other current receivables subsidiaries		-	-	16,881
Cash and cash equivalents	10	2,350	10,348	17,426
Total current assets		**2,362**	**10,374**	**34,338**
Total assets		**1,384,991**	**1,387,149**	**1,407,852**
Equity and liabilities				
Share capital	12	2,529	2,529	2,529
Other contributed capital		562,430	562,430	562,430
Other reserves		1,345	816	288
Retained earnings		479,942	470,260	476,516
Total equity		**1,046,246**	**1,036,034**	**1,041,762**
Non-current liabilities subsidiaries	4	332,540	341,071	359,935
Warrant liabilities	11	5,250	9,111	-
Total non-current liabilities		**337,790**	**350,182**	**359,935**
Other current liabilities		207	147	5,995
Current liabilities subsidiaries	4	628	688	-
Trade payables	4	119	97	159
Total current liabilities		**955**	**932**	**6,154**
Total liabilities		**338,745**	**351,114**	**366,089**
Total equity and liabilities		**1,384,991**	**1,387,149**	**1,407,852**

The Board of Odfjell Drilling Ltd.
21 April 2021, Aberdeen, United Kingdom

Helene Odfjell	Susanne Munch Thore	Alasdair Shiach	Thomas Marsoner	Diane Stephen
Chairman	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	Preference shares	Total equity
Balance at 31 December 2018 - NGAAP		2,529	562,430	288	476,516	1,041,762	964,553	77,209	1,041,762
Effect of transition to IFRS		-	-	-	-	-	-	-	-
Balance at 1 January 2019		**2,529**	**562,430**	**288**	**476,516**	**1,041,762**	**964,553**	**77,209**	**1,041,762**
Profit/(loss) for the period		-	-	-	(2,347)	(2,347)	(10,165)	7,817	(2,347)
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	(2,347)	(2,347)	(10,165)	7,817	(2,347)
Cash dividend to preference shareholders		-	-	-	(3,909)	(3,909)	-	(3,909)	(3,909)
Cost of share-based option plan	5	-	-	528		528	528	-	528
Transactions with owners		-	-	528	(3,909)	(3,381)	528	(3,909)	(3,381)
							-		-
Balance at 31 December 2019		**2,529**	**562,430**	**816**	**470,260**	**1,036,034**	**954,917**	**81,118**	**1,036,034**
Profit/(loss) for the period		-	-	-	13,789	13,789	5,576	8,213	13,789
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	13,789	13,789	5,576	8,213	13,789
Cash dividend to preference shareholders		-	-	-	(4,107)	(4,107)	-	(4,107)	(4,107)
Cost of share-based option plan	5	-	-	529		529	529	-	529
Transactions with owners		-	-	529	(4,107)	(3,577)	529	(4,107)	(3,577)
Balance at 31 December 2020		**2,529**	**562,430**	**1,345**	**479,942**	**1,046,246**	**961,022**	**85,224**	**1,046,246**

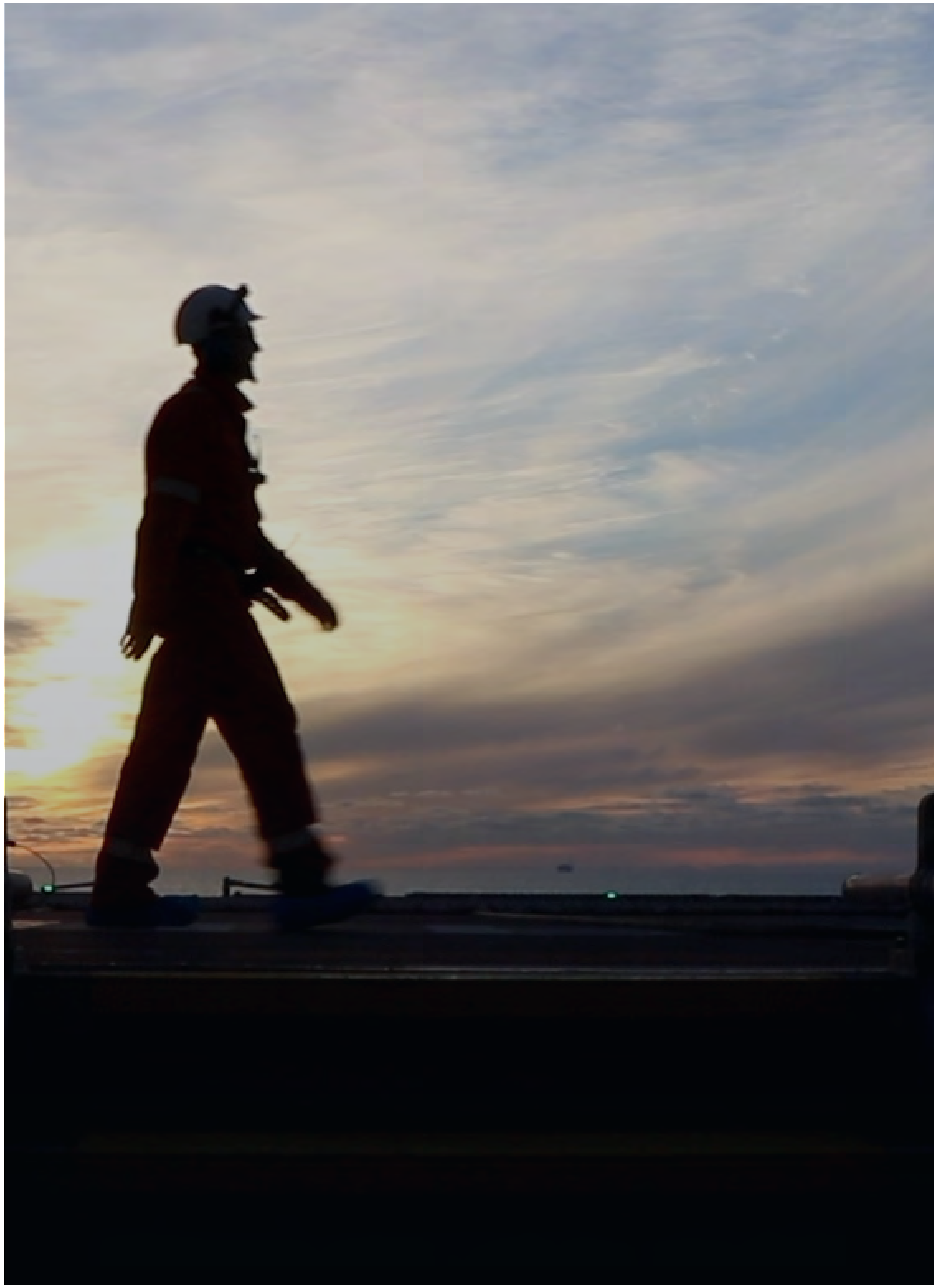
The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow

for the year ended 31 December

USD thousands	Note	2020	2019
Cash flow from operating activities:			
Profit/(loss) before tax		13,789	(2,347)
Adjustments for:			
Cost of Share-option plan		529	528
Net interest expense / (income)		2,110	(404)
Change in fair value warrant liabilities	11	(3,861)	9,111
Impairment / reversal of impairment of investments in subsidiaries	8	(3,300)	(6,100)
Net currency loss / (gain) not related to operating activities		523	(155)
Income from subsidiaries	4	(7,565)	-
Other provisions and adjustments for non-cash items		(925)	(1,206)
Changes in working capital:			
Trade payables		22	(62)
Other accruals and current receivables /payables		14	(5,155)
Cash generated from operations		**1,336**	**(5,790)**
Net interest received / (paid)		28	-
Net cash flow from operating activities		**1,364**	**(5,790)**
Cash flows from investing activities:			
Received dividend from subsidiaries		7,565	-
Net cash flow (outflow) current intercompany receivables	4	-	16,881
Proceeds from non-current receivables subsidiaries	4	11,000	48,504
Net cash flow from investing activities		**18,565**	**65,385**
Cash flows from financing activities:			
Net proceeds (payments) borrowing facilities from subsidiaries	4	(23,298)	(62,919)
Dividends paid to preference share holders		(4,107)	(3,909)
Net cash from financing activities		**(27,405)**	**(66,828)**
Exchange gains/(losses) on cash and cash equivalents		(523)	155
Net change in cash and cash equivalents		**(7,998)**	**(7,078)**
Cash and cash equivalents at 01.01		10,348	17,426
Cash and cash equivalents at 31.12		**2,350**	**10,348**

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



Notes to the Financial Statements

All amounts are in USD thousands unless otherwise stated

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Note 1 Accounting policies

The financial statements for Odfjell Drilling Ltd., have been prepared and presented in accordance with IFRS as endorsed by EU, and are based on the same accounting policies as the Consolidated Group Financial Statements with the following exceptions:

Investments in subsidiaries

Investments in subsidiaries are based on the cost method. Refer to Note 8 Investments in subsidiaries

Dividends

Dividends and group contribution from a 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 Consolidated Group Financial Statements

Note 2 Changes in accounting policies - Transition to IFRS

This is the company's first parent accounts presented in accordance with IFRS. The accounting policies described in Note 1 Accounting policies have been applied in the preparation of the financial statements for 2020, comparable figures for 2019 and for the preparation of the IFRS opening balance sheet 1 January 2019 which is the company's transition date for conversion from Norwegian General Accepted Accounting Practices (NGAAP) to IFRS.

The transition from NGAAP to IFRS has not led to any changes in Statement of Financial Position as at 1 January 2019 or 31 December 2019, nor to any changes in Income Statement or Statement of Cash Flow, except for renaming of line items.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as interest rates, foreign exchange rates and other factors which are outside the Company's control. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The most important areas where estimates and judgements are having an impact are listed below. Detailed information of these estimates and judgements are disclosed in the relevant notes.

- Calculation of recoverable amount of an investment in a subsidiary (Note 8 Investments in subsidiaries)
- Warrant liabilities measured at fair value (Note 11 Warrant Liabilities)

Going concern

Refer to Consolidated Financial Statements Note - 5 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.
Hence, the Company has adopted the going concern basis in preparing its parent financial statements.

Parent Company Financial Statements

Note 4 Related parties - transactions, receivables and liabilities

Revenue from related parties

Type of transaction	Related party	Relation	2020	2019
Management fee	Odfjell Drilling Services Ltd.	Subsidiary	19	19
Management fee	Odfjell Rig Owning Ltd.	Subsidiary	13	13
Management fee	Odfjell Invest Ltd.	Subsidiary	19	19
Management fee	Odfjell Rig III Ltd.	Subsidiary	19	19
Dividends	Odfjell Global Business Services AS	Subsidiary	7,565	-
Interest income non-current loan	Odfjell Rig Owning Ltd.	Subsidiary	13,510	20,569
Guarantee provision	Odfjell Drilling Services Ltd.	Subsidiary	881	1,025
Guarantee provision	Odfjell Invest Ltd.	Subsidiary	1,440	1,291
Guarantee provision	Odfjell Rig II Ltd.	Subsidiary	44	145
Guarantee provision	Odfjell Rig III Ltd.	Subsidiary	648	782
Guarantee provision	Odfjell Rig V Ltd.	Subsidiary	894	951
Total			**25,054**	**24,834**

Related parties expenses

Type of transaction	Related party	Relation	2020	2019
Interest on long term loan	Odfjell Drilling Services Ltd.	Subsidiary	15,005	20,337
Interest on long term loan	Odfjell Offshore Ltd.	Subsidiary	644	743
Service fee	Odfjell Global Business Services AS	Subsidiary	10	11
Service fee	Odfjell Drilling AS	Subsidiary	104	109
Other services	Odfjell Drilling (UK) Ltd	Subsidiary	154	33
Total			**15,917**	**21,234**

Non-current receivables - related parties

The company has a loan agreement with subsidiary Odfjell Rig Owning Ltd. The loan agreement was transferred from Odfjell Offshore Ltd to Odfjell Rig Owning Ltd., as part of the contribution 21 December 2015. The loan agreement was extended by an amendment in February 2015 to long-term conditions. In December 2017 a supplemental agreement was made to increase the total commitment by an additional USD 50 million to a total commitment of USD 550 million. At 11 December 2018 there was a resolution to convert USD 235 million of the long term loan as contribution to the surplus capital of the Odfjell Rig Owning Ltd.

At 23 December 2019, the loan agreement was amended, extending the maturity date from 9 May 2020 to 9 May 2024, and changing the interest from a fixed interest rate of 6.95% to a interest rate of 3 months USD LIBOR with a margin of 3.5% per annum.

Refer to Note 8 Investments in subsidiaries for impairment assessment as at 31 December 2020.

Movements in non-current receivables subsidiaries are analysed as follows:

USD thousands	2020	2019
Carrying amount as at 1 January	270,604	297,443
Cash flows:		
Payments received from subsidiaries	(11,000)	(48,504)
Non-cash flows:		
Reclassified from current receivables	44	1,097
Interest accrued	13,510	20,569
Carrying amount as at 31 December	**273,158**	**270,604**

Non-current liabilities - related parties

The company entered into a loan agreement with Odfjell Offshore Ltd., a subsidiary to the company, in August 2017. The maximum aggregated loan amount is USD 8.5 million plus any interest added to the principal. The loan shall be repaid in full at maturity date at the latest. Interest conditions: 3 month LIBOR + 5.16 % margin. Maturity date 28.08.2022. Carrying amount as at 31.12.2020 is USD 10.7 million.

The loan agreement with Odfjell Drilling Services Ltd., was extended by an amendment in November 2018. The new due date was set to 9 November 2023 and the margin of the loan is 3.5% starting from 9 November 2018. The maximum aggregated loan amount for the borrowing facility with Odfjell Drilling Services Ltd., a subsidiary to the company, is USD 450 million. Interest conditions: 3 month LIBOR + 3.5% margin. Maturity date 09.11.2023. Carrying amount as at 31.12.2020 is USD 321.8 million.

Movements in non-current liabilities subsidiaries are analysed as follows:

USD thousands	2020	2019
Carrying amount as at 1 January	341,071	359,935
Cash flows:		
Repayment of loan	(23,298)	(62,919)
Non-cash flows:		
Conversion of debt to capital	-	24,000
Reclassified from current liabilities	(881)	(1,025)
Interest cost accrued	15,649	21,080
Carrying amount as at 31 December	**332,540**	**341,071**

Current receivables and liabilities - related parties

	Type	Receivables	Liabilities	Receivables	Liabilities
USD thousands		2020	2020	2019	2019
Odfjell Drilling AS	Trade	-	18	-	-
Odfjell Global Business Services AS	Trade	-	12	-	-
Odfjell Drilling (UK) Ltd	VAT	-	570	-	573
Odfjell Well Service (UK) Ltd	VAT	-	50	-	12
Odfjell Drilling Shetland Ltd	VAT	-	5	-	103
Odfjell Partners Invest Ltd.	VAT		3	-	-
Total current		**-**	**658**	**-**	**688**

Note 5 Personnel expenses

USD thousands	2020	2019
Wage cost		
Salaries	498	378
Payroll tax	88	55
Pension costs	6	0
Employee benefits	22	19
Management compensation:		
Board of directors fee	218	203
Cost of Share-option plan	529	528
Total personnel expenses	**1,361**	**1,183**

The company had two employees at 31 December 2019 and at 31 December 2020.

For details of salary, variable pay and other benefits provided to the General Manager and compensation to the Board of Directors, refer to Note 34 - Remuneration to the Board of Directors, key executive management and Group auditor in the Group Financial Statements.

Refer to Note 35 - Share-based payments in the Group Financial Statements for information about the Cost of Share-option plan.

No loans or guarantees have been given to the members of the board of directors.

Note 6 Operating expenses

USD thousands	Note	2020	2019
Fee to the auditor (excluding VAT):			
Auditors fee		150	166
Other services from auditor		-	-
Other operating expenses:			
Service fee	4	115	120
Facility services	4	154	33
Fees legal and financial assistance		408	1,327
Travel expenses		26	66
Other expenses		51	89
Total operating expenses		**904**	**1,802**

Note 7 Financial income and expenses

Interest income:

USD thousands	Note	2020	2019
Interest income from subsidiaries	4	13,510	20,569
Other interest income		28	107
Total interest income		**13,538**	**20,676**

Interest expenses:

USD thousands	Note	2020	2019
Interest expenses borrowings from subsidiaries	4	(15,649)	(21,080)
Other interest expenses		-	-
Total interest expenses		**(15,649)**	**(21,080)**

Other financial items:

USD thousands	Note	2020	2019
Guarantee commissions	4	3,908	4,194
Change in fair value of the warrant liability	11	3,861	(9,111)
Net currency gain / (loss)		(541)	(184)
Other financial expenses		-	(27)
Total other financial items		**7,228**	**(5,129)**

Note 8 Investments in subsidiaries

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.

Listing of directly owned subsidiaries

Company	Acquisition/ formation date	Registered office	Place of business	Shares owned	Voting rights
Odfjell Drilling Services Ltd.	2011	Hamilton, Bermuda	Aberdeen, UK	100%	100%
Odfjell Offshore Ltd.	2011	Hamilton, Bermuda	Bergen, Norway	100%	100%
Odfjell Rig Owning Ltd.	2015	Hamilton, Bermuda	Aberdeen, UK	100%	100%
Odfjell Global Business Services AS	2017	Bergen, Norway	Bergen, Norway	100%	100%

Company	Functional currency	Share capital in USD	Profit / (loss) 2020	Equity as at 31.12.2020	Book value as at 31.12.2020
Odfjell Drilling Services Ltd.	USD	10,000	30,642	160,612	175,450
Odfjell Offshore Ltd.	USD	1,000,000	2,988	127,469	127,405
Odfjell Rig Owning Ltd.	USD	10,000	8,963	700,162	806,121
Odfjell Global Business Services AS	NOK	30,371	589	8,112	494
Total					**1,109,471**

There has not been identified any impairment indicators for the investments as at 31.12.2020, still the investments in subsidiaries, including non-current receivables, have been subject to impairment assessment as per 31. December 2020. The recoverable amount of the investment in the subsidiaries, including non-current receivables, are estimated to be higher than the book value. This evaluation is based on book value of equity in the subsidiaries and/or consolidated subgroup. No impairment of assets in the subsidiaries have been identified. No material off balance sheet liabilities have been identified in the subsidiaries, other than contingency listed in Note 28 - Contingencies in the consolidated financial statements.

Book value of investment in Odfjell Drilling Services Ltd., is higher than book value of equity in the company, but lower than book value of the consolidated equity in the subgroup. No impairment was identified as at 31.12.2020.

Book value of investment in Odfjell Rig Owning Ltd., is higher than book value of equity in the company, but lower than book value of the consolidated equity in the subgroup. No impairment was identified as at 31.12.2020.

Based on the impairment assessment, USD 3.3 million of previously booked impairment of investment in Odfjell Offshore Ltd., was reversed in 2020 (USD 6.1 million reversed in 2019).

No impairment was identified as at 31.12.2019 for any of the investments.

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.

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

USD thousands	Note	Level	31.12.2020	31.12.2019
Debt instruments at amortised cost				
Non-current receivables subsidiaries	4		273,158	270,604
Other current assets			0	4
Cash and cash equivalents	10		2,350	10,348
Total assets as at 31.12			**275,509**	**280,957**

USD thousands	Note	Level	31.12.2020	31.12.2019
Financial liabilities at fair value through profit or loss				
Warrant liabilities - Other non-current liabilities	11	3	5,250	9,111
Financial liabilities at amortised cost				
Non-current liabilities subsidiaries	4		332,540	341,071
Other current liabilities			207	147
Current liabilities subsidiaries	4		628	688
Trade payables			119	97
Total liabilities as at 31.12.			**338,745**	**351,114**

Note 10 Cash and cash equivalents

USD thousands	31.12.2020	31.12.2019
Current account NOK	2	1,452
Current account USD	1,321	358
Current account GBP	1,027	844
Time deposit NOK	-	5,695
Time deposit USD	-	2,000
Total cash and bank deposits	**2,350**	**10,348**

All bank deposits are not restricted.

Note 11 Warrant Liabilities

Refer to Note 24 b) Market risk in the Group Financial Statements.

Note 12 Share capital and shareholders

Refer to Note 25 - Share capital and shareholder information in the Group Financial Statements.

Note 13 Guarantees and securities

Guarantees from Odfjell Drilling Ltd in relation to subsidiaries' loan agreements

Odfjell Drilling Ltd has furnished an On-Demand Guarantee under the following facility agreements:

- USD 250 million senior secured credit facility agreement originally entered into in an amount of up to USD 450 million on 6 May 2014 with Odfjell Drilling Services Ltd., as borrower and DNB Bank ASA acting as agent on behalf of the lenders. The facility was amended and extended on 26 June 2019. The liability of Odfjell Drilling Ltd as guarantor hereunder shall be limited to USD 500 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 425 million term loan facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the Lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 552.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 100 million junior facility agreement entered into on 26 June 2019 with Odfjell Invest Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 130 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement.
- USD 530 million term loan facility agreement entered into on 7 May 2013 with Odfjell Rig III Ltd as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd hereunder shall be limited to USD 636 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 325 million term loan facility agreement entered into on 30 October 2018 with Odfjell Rig V Ltd., as borrower and DNB Bank ASA as Agent on behalf of the lenders. The liability of Odfjell Drilling Ltd., as guarantor hereunder shall be limited to USD 422.5 million plus any unpaid amount of interest, fees and expenses, and shall be reduced with amounts actually repaid (and prepaid, if any) under the loan agreement. The loan facility was fully drawn on 3 January 2019 in relation to the delivery of Deepsea Nordkapp that took place on 7 January 2019.

Other securities

Refer to Note 27 - Securities and mortgages in the Consolidated Financial Statements.

Parent company guarantees in relation to the subsidiaries' loan agreements:

USD thousands	31.12.2020	31.12.2019
Loan agreement in Odfjell Drilling Services Ltd.	241,303	282,120
Loan agreement in Odfjell Invest Ltd., senior facility	490,065	540,074
Loan agreement in Odfjell Invest Ltd., junior facility	130,000	130,000
Loan agreement in Odfjell Rig II Ltd.	-	51,805
Loan agreement in Odfjell Rig III Ltd.	344,393	397,185
Loan agreement in Odfjell Rig V Ltd.	381,755	417,668
Total guarantee liabilities	**1,587,516**	**1,818,852**

Book value of assets pledged as security

USD thousands	31.12.2020	31.12.2019
Shares in Odfjell Offshore Ltd.	127,405	97,057
Shares in Odfjell Rig Owning Ltd.	806,121	821,194
Shares in Odfjell Drilling Services Ltd.	175,450	186,814
Shares in Odfjell Global Business Services AS	494	1,105
Intra-group receivables (Odfjell Drilling group)	273,158	270,604
Bank deposits	2,350	10,348
Total book value of assets pledged as security	**1,384,979**	**1,387,123**

Guarantees from Odfjell Drilling Ltd., in relation to subsidiaries' customer agreements

Odfjell Drilling Ltd., has issued parent company guarantees regarding Odfjell Drilling Management AS' platform drilling service contracts for Johan Sverdrup with Equinor and Brage with Wintershall.

The company has also issued parent company guarantees regarding subsidiaries' platform drilling service and drilling equipment contracts with ConocoPhillips Skandinavia AS,

Guarantees from Odfjell Drilling Ltd., in relation to subsidiaries' other agreements

Odfjell Drilling Ltd., has issued parent company guarantee related to Odfjell Drilling AS' property rental contract with Kokstad Holding AS Group, as well as a payment guarantee regarding Deep Sea Drilling Company AS' hedging agreements with DNB Bank ASA limited to USD 10 million.

Parent Company Financial Statements

Note 14 Financial Risk Management

Refer to Note 24 - 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 - 31.12.2020

USD thousands	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-current liabilities subsidiaries	6,407	6,407	12,815	355,350	-	380,980	332,540
Other current liabilities	207					207	207
Current liabilities subsidiaries	628					628	628
Trade payables	119					119	119

Maturity of financial liabilities - 31.12.2019

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	9,463	9,463	18,927	374,926	-	412,779	341,071
Other current liabilities	147					147	147
Current liabilities subsidiaries	688					688	688
Trade payables	97					97	97

Foreign exchange risk

Foreign exchange risk - Exposure

Refer to Note 10 Cash and cash equivalents for bank balances in other currencies than USD. The company does not have any other material balances in foreign currencies.

Foreign exchange risk - Sensitivity

The company is to a limited extent exposed to changes in USD/GBP exchange rates. If USD is strengthened by 10% against GBP, the reduction Cash and cash equivalents of USD 0.1 million will reduce net profit before taxes. If USD is weakened by 10% against GBP, the increase Cash and cash equivalents of USD 0.1 million will increase net profit before taxes.

Interest rate risk

The company have related parties interest-bearing receivables and liabilities, refer to Note 4 Related parties - transactions, receivables and liabilities.

Both receivables and liabilities are variable rate borrowings based on LIBOR. Should LIBOR increase by 1%, interest income would increase by USD 2.7 million, while interest expenses would increase by USD 3.3 million, resulting in a net decrease of profit before taxes of USD 0.6 million.

Credit risk

The company is exposed to credit risk related to related party current and non-current receivables as listed in Note 4 Related parties - transactions, receivables and liabilities.

Following IFRS 9 Financial Instruments, the company assess expected credit losses at each reporting date. The credit risk for the receivables mentioned above has not increased significantly since initial recognition, and the company therefore measures the loss allowance to an amount equal to 12-months expected credit losses.

The company does not expect any credit losses in the next 12-month period.

Note 15 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 2019, and does not expect to pay any taxes to the United Kingdom for the fiscal year 2020.

Income tax reconciliation

USD thousands	2020	2019
Profit / (loss) before tax	13,789	(2,347)
Tax calculated at domestic tax rate - 19%	(2,620)	446
Effect of adjustments recognised related to prior periods, incl. tax losses carried forward	-	47
Effect of non-taxable income and expenses	3,013	390
Effect of group relief	(393)	(882)
Total income tax expense	**-**	**-**

Note 16 Earnings per share

Refer to Note 36 - Earnings per share in the Group Financial Statements for accounting policy and further description.

USD thousands	2020	2019
Profit/(loss) for the period	13,789	(2,347)
Adjustment for dividends on preference shares	(8,213)	(7,817)
Profit/(loss) for the period due to holders of common shares	5,576	(10,165)
Adjustment related to warrants and share option plan	-	-
Diluted profit/(loss) for the period due to the holders of common shares	**5,576**	**(10,165)**

	2020	2019
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**

	2020	2019
Basic earnings per share	0.02	(0.04)
Diluted earnings per share	0.02	(0.04)

Note 17 Events after the reporting period

Refer to Note 30 - Events after the reporting period in the Group Financial Statements.

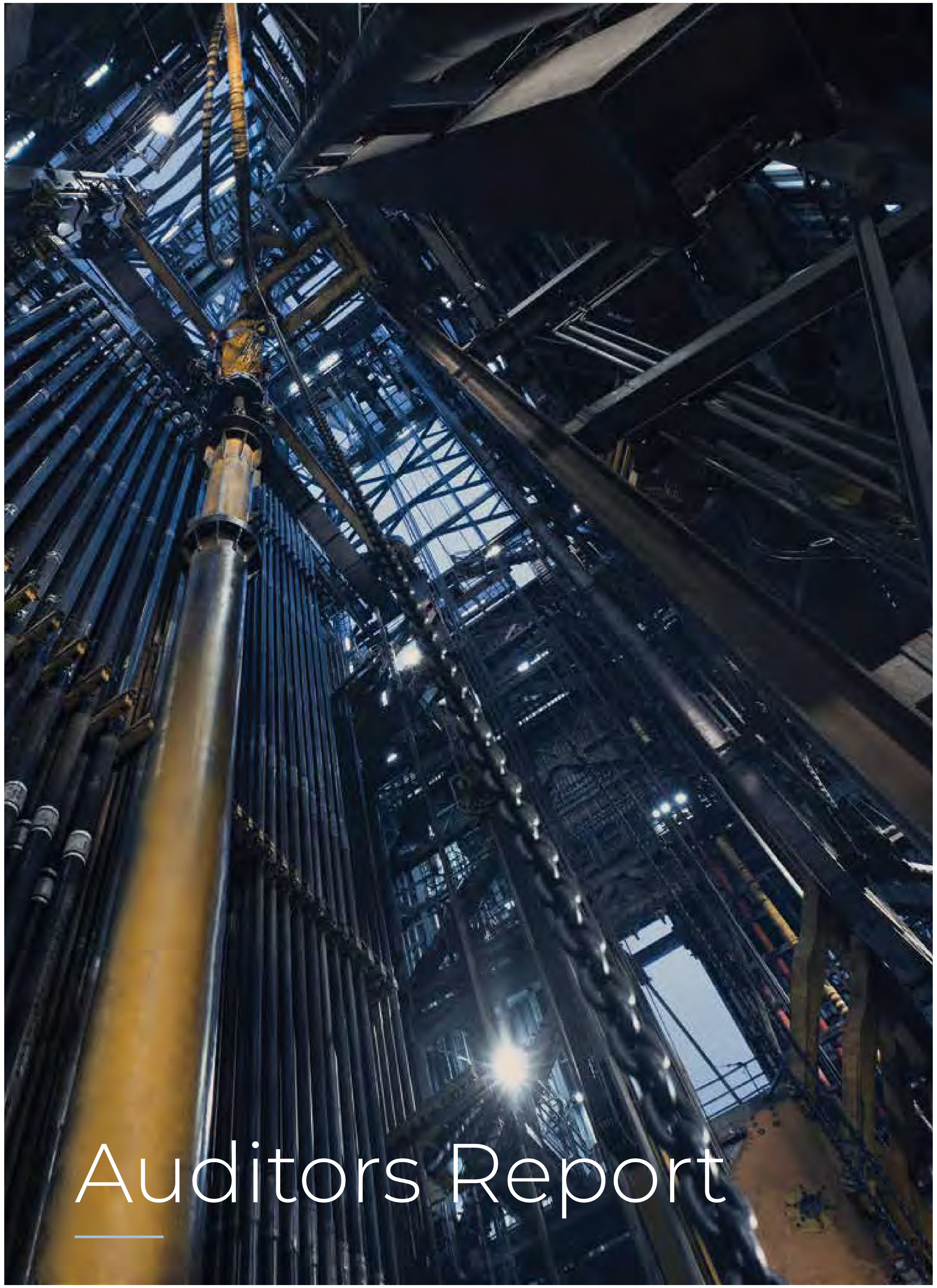
Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2020 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

The Board of Odfjell Drilling Ltd.
21 April 2021, Aberdeen, United Kingdom

Helene Odfjell Chairman	Susanne Munch Thore Director	Alasdair Shiach Director	Thomas Marsoner Director	Diane Stephen General Manager



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 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Odfjell Drilling Ltd and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

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.

The Groups business activities, which continue to evolve due to ongoing improvement projects, are largely the same as last year. As in 2019, both revenue recognition on drilling service contracts and valuation of drilling rigs involves significant complexity and risk and both areas have therefore been a focus for this year's audit as well.

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of drilling rigs

Key Audit Matter

The Group has a fleet of drilling rigs with a book value of USD 2,089 million. We focused on this area because:

- the book value constitutes a substantial amount (around 80%) of the Group's total assets,
- the current condition in the oil- and oil service market suggested impairment indicators existed,
- as two of the Group's drilling rigs has been impaired in prior periods, the previously recognised impairment loss might no longer exist or may have increased, and
- impairment assessment involves significant judgement made by management about future results of the business.

The Group owns four drilling rigs, Deepsea Nordkapp (DSN), Deepsea Atlantic (DSA), Deepsea Stavanger (DSS), and Deepsea Aberdeen (DAB) as of 31 December 2020.

Even small changes in some of the judgemental assumptions may lead to significant changes in the calculated value in use, which may trigger further impairment losses or reversal of previously recognised impairment losses.

The Group did not recognise any impairment loss, or reversal of previously

How our audit addressed the Key Audit Matter

We tested the design and operating effectiveness of key controls in relation to impairment recognition of the Group's drilling rigs, with particular focus on the controls over gathering external evidence for critical inputs applied in the impairment assessment. We did not identify any material issues that would have an impact on our audit approach.

We obtained the Group's impairment model for the drilling rigs and reviewed management's identification of Cash Generating Units (CGUs). The Group identified each drilling rig as a CGU. Further, for all rigs, we examined the methodology used by the Group to assess the carrying value of tangible assets assigned to the CGUs and tested the mechanics of the underlying calculations. We found the identification of CGU and impairment methodology applied by the Group to be compliant with IFRS and the underlying calculations to be mathematically accurate.

We then identified the most critical assumptions in the value in use model, and found these to be day rates, operating expense (opex) levels, utilisation and discount rate. The model was divided into three periods: budget-, intermediate- and long-term period. The Group estimated the discount rate using a weighted average cost of capital, of which cost of equity was derived using CAPM. As a part of challenging the Group's assumptions, we performed, among others, the following procedures:

- Agreeing the day rates in the contract period to signed contracts, and the day rates and opex levels in the contract- and intermediate period to board approved budgets.
- Agreeing the opex levels in the contract- and intermediate period to board approved budgets as

Key Audit Matter (continued)

recognised impairment losses, during 2020.

See note 5 and 12, and the BoD report for information about the valuation of drilling rigs.

How our audit addressed the Key Audit Matter (continued)

well as comparing it to historical performance of the rigs.

- Agreeing the budgets to underlying documentation such as contracts and historically achieved opex levels.
- Comparing applied utilisation for the three periods to historical performance as well as external documentation of average historical utilisation.
- Comparing the current year actual results with the 2020 results included in the prior year forecast to consider whether the Group had exercised any bias in assumptions used.
- Assessed the applied discount rate by comparing critical input to observable market data, where applicable. We compared non-observable input to external research and market reports and challenged the Group on the reasonability of the applied inputs. We further compared the applied discount rate to discount rates used by comparable entities.

We found the above-mentioned assumptions to be consistent and within an acceptable range.

We performed sensitivity calculations on inputs used in the model and agreed the results to information presented in the disclosures. As expected, we found that the calculated value-in-use was most sensitive to changes in the discount rate and normalised day rates.

We evaluated the appropriateness of the related note disclosures in the financial statements and found that they satisfied IFRS requirements.

Revenue recognition drilling service contracts

Key Audit Matter

Revenue from drilling service contracts constitutes most of the Group's revenue (around 76%). The contracts contain elements that entails complex, judgmental assessments, such as options to drill additional wells, material incentive bonus elements and lump sum fees for contract preparations, mobilisation, and demobilisation that must be recognised during the drilling period.

Due to the complexity and use of judgment in the revenue recognition, we

How our audit addressed the Key Audit Matter

For each drilling rig, we obtained the contracts, management's assessment of the contracts and the corresponding revenue recognition schedule for each contract. We studied both the contracts and management's assessment and held several discussions with management. The discussions focused on management's use of judgment in identifying performance obligations in the contracts, on whether to include customer options and incentive bonus elements as part of the revenue to be recognised during the drilling periods, and the estimated duration of the drilling periods.

Management's explanations and their assessments were compared to the facts and clauses in the contracts, focused on the following elements in our audit;

- the decision of whether customer options represents a material right that gives rise to a performance obligation, and if so, the estimate of the stand-alone selling price of the options,
- the decision of whether to include incentive bonus element in the transaction price, and the estimate of the variable consideration, if included, and
- the estimates of the progress towards complete satisfaction of the performance obligation at the end of the reporting period.

See note 7 for the Group's accounting principles for revenue and note 6, 7 and 16 for an explanation of how revenue is recognised throughout the year

historical performance and other available documentation, which we then assessed towards the requirements in IFRS 15. Based on our evaluations, we found that we agreed with management's assessment about the principles for revenue recognition.

Our audit procedures of the revenue recognition schedules included: testing the mechanics of the underlying calculations; agreeing input, including total transaction price, duration of the drilling periods, time elapsed and payments received, to underlying documentation; and agreeing the total revenue recognised for the periods and any contract liabilities at the end of the period in the schedule to the general ledger. We found the input to be in accordance with underlying documentation and the calculations to be mathematically correct.

We evaluated the appropriateness of the related note disclosures in the financial statements and found that they satisfied IFRS requirements.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report - Odfjell Drilling Ltd

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

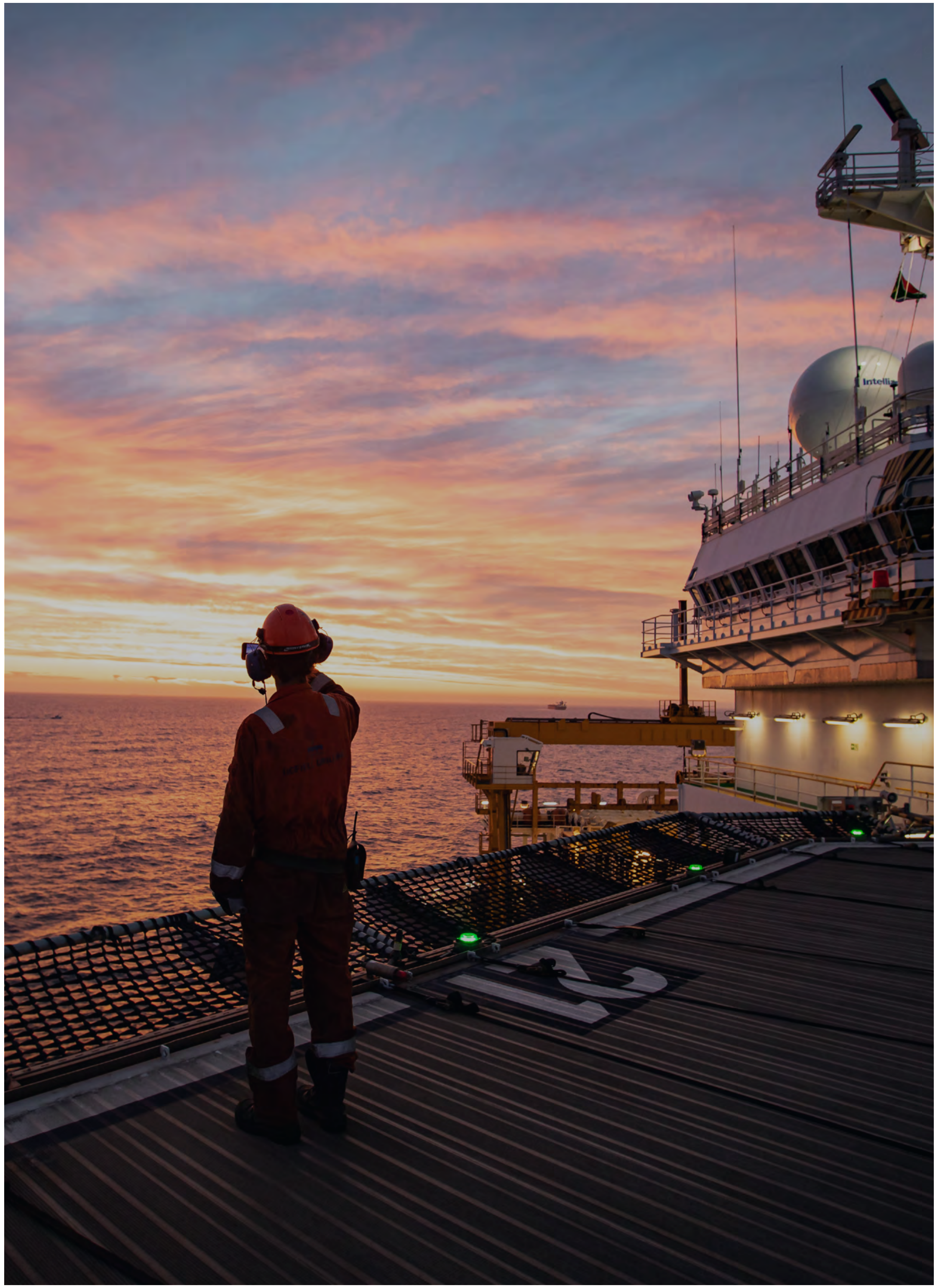
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Bergen, 21 April 2021
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(This document is signed electronically)



Definitions of Alternative Performance Measures

CONTRACT BACKLOG

The Company's fair estimation of revenue in firm contracts and relevant optional periods for MODU and Platform Drilling measured in USD - subject to variations in currency exchange rates.

EBIT

Earnings before interest and taxes. Equal to Operating profit.

EBIT MARGIN

EBIT / Operating revenue

EBITDA

EBITDA is 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.

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

For more information visit odfjelldrilling.com

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