# Odfjell Drilling Ltd.

## Report for the 4th quarter of 2021 and preliminary results for the financial year ending 31 December 2021

*This interim report is unaudited and has been prepared in accordance with IAS 34 "Interim Financial Reporting".*

## Key figures for the Group

*All figures in USD million*

| Key figures Odfjell Drilling Ltd. Group | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| Operating revenue………………………………………… | 222 | 355 | 864 | 930 |
| EBITDA…………………………………………………………… | 85 | 171 | 304 | 420 |
| EBIT……………………………………………………………… | 39 | 127 | 122 | 216 |
| Net profit (loss)………………………………………… | 28 | 108 | 74 | 143 |
| EBITDA margin…………………………………………… | 38% | 48% | 35% | 45% |
| Total assets……………………………………………… | | | 2,515 | 2,640 |
| Net interest bearing debt……………………………… | | | 863 | 1,005 |
| Equity……………………………………………………… | | | 1,268 | 1,199 |
| Equity ratio……………………………………………… | | | 50% | 45% |

## Highlights Q4 2021

### Odfjell Drilling Ltd. Group

- Operating revenue of USD 222 million compared to USD 355 million in Q4 2020.
- EBITDA of USD 85 million compared to USD 171 million in Q4 2020.
- EBITDA margin of 38% compared to an EBITDA margin of 48% in Q4 2020.
- The Group's contract backlog is USD 2.1 billion, whereof USD 1.3 billion is firm backlog. The comparable figure at the end of Q4 2020 was USD 2.3 billion, whereof USD 1.3 billion was firm backlog.

### Mobile Offshore Drilling Units segment (MODU)

- Operating revenue of USD 143 million compared to USD 292 million in Q4 2020.
- EBITDA of USD 74 million compared to USD 161 million in Q4 2020.
- EBITDA margin of 52% compared to an EBITDA margin of 55% in Q4 2020.

### Energy segment (Energy)

- Operating revenue of USD 62 million compared to USD 45 million in Q4 2020.
- EBITDA of USD 6 million compared to USD 3 million in Q4 2020.
- EBITDA margin of 9% compared to an EBITDA margin of 8% in Q4 2020.

### Well Services segment (OWS)

- Operating revenue of USD 31 million compared to USD 28 million in Q4 2020.
- EBITDA of USD 9 million similar as in Q4 2020.
- EBITDA margin of 29% compared to an EBITDA margin of 32% in Q4 2020.

*Lundin exercised one optional well*

On 1 December 2021, Lundin exercised one well as part of the optional well program agreed in the contract entered into in March 2021 for Deepsea Stavanger. The operations commenced early January 2022 and were completed end of January.

*Management and marketing services on Mira and Bollsta*

On 23 December 2021, Northern Ocean Ltd awarded Odfjell Drilling the marketing and management services for the semisubmersibles West Mira and West Bollsta. Both units are high end harsh environment 6th generation semisubmersibles tailored for operations on the Norwegian Continental Shelf.

Odfjell Drilling took over the responsibility for Mira in the beginning of February 2022 and the unit currently is quayside at Hanoytangen outside Bergen, Norway. Bollsta will finish its current contract with Lundin before being handed over to Odfjell Drilling which is expected in Q1 2022. The units will be named Deepsea Mira and Deepsea Bollsta after Odfjell Drilling's handover.

*More work for Deepsea Yantai*

Deepsea Yantai continues its long term commitment with Neptune Energy, which has added four more firm wells to the rigs backlog during Q4 2021. In addition to shorter programs with PGNiG and OMW, it has been agreed to keep the rig fully occupied for most of 2022. In addition to the firm scope, Neptune Energy still has nine further optional wells under the agreement which may take total scope to the end of Q2 2023.

*New board member in ODL*

On 26 January 2022, Mr. Harald Thorstein was elected by a special general meeting in ODL to become a non-executive director of the Company.

*Contemplated spin-off of Odfjell Technology Ltd*

On 31 January 2022, the Company announced its contemplated spin-off of its service segments' Energy and Platform Drilling into a newly established company named Odfjell Technology Ltd ("OTL"). The spin-off is dependent on, inter alia, successful placement of a 4 year senior secured NOK 1,100 million bond (the "Bond"), approval of the listing of OTL on the Oslo Stock Exchange (the "Listing"), satisfaction of the conditions set for such Listing and approval of the spin-off by the board of directors of the Company.

The Company further announced its successful placement of the Bond on 4 February 2022 and expects to conclude the listing of OTL by the end of March 2022, although no assurance can currently be given that the spin-off and the Listing will be completed.

Upon completion of the spin-off, the shares in OTL will be distributed to the shareholders in the Company. The ratio for such distribution is expected to be 6:1, i.e. that 6 shares in the Company will give the holder 1 share in OTL rounded downwards to the closest whole share in OTL.

*Aker BP extended work for Deepsea Nordkapp*

On 15 February 2022, Aker BP exercised a scope based option for Deepsea Nordkapp under the Contract entered into between the parties in April 2018. The option covers the time necessary to complete four Kobra East Gekko (KEG) development wells. Operations on the KEG development wells are expected to commence in January 2023 with a combined duration of approximately 430 days.

*Equinor extends platform drilling contracts on Johan Sverdrup and Heidrun*

On 16 February 2022, Equinor exercised a 2 year option on the platform drilling contracts for Heidrun and Johan Sverdrup Drilling Platform. The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance on the installations Heidrun and Johan Sverdrup. Following this option, the contract period is firm until Q4 2024. This option is the first of three options of two years each.

*Management services for West Linus*

On 21 February 2022, Odfjell Drilling agreed with SFL to provide management services for the harsh environment jack-up drilling rig West Linus. The agreement is based on terms and conditions customary for this type of agreements.

The rig is employed on a long-term drilling contract with ConocoPhillips Scandinavia AS in the North Sea until the fourth quarter of 2028. Odfjell Drilling will take over as manager of the rig as soon as regulatory approvals such as change of duty holder under the Acknowledgement of Compliance is approved by Norwegian authorities. Odfjell Drilling expects this to be in place no later than 1 October 2022.

## Financial review – operations

*(Comparable figures for last comparable period in brackets)*

### *Consolidated Group financials*

#### Profit & loss Q4 2021

Operating revenue for Q4 2021 was USD 222 million (USD 355 million), a decrease of USD 133 million. The decrease is primarily due to drilling operations in South Africa in Q4 2020. Revenue recognition requirements meant the revenue for the whole contract was recognized in 2020 whereas the cost of transit and demobilization was recognized in Q1 2021, hence much higher revenue and margin in Q4 2020.

Other gains and losses for Q4 2021 was USD 7 million (USD 2 million), an increase of USD 5 million mainly due to a USD 7 million distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association.

EBITDA in Q4 2021 was USD 85 million (USD 171 million), a decrease of USD 86 million, mainly in the MODU segment in relation to the drilling operations in South Africa in Q4 2020.

The EBITDA margin in Q4 2021 was 38% (48%).

Depreciation and amortisation cost in Q4 2021 was USD 46 million (USD 44 million), an increase of USD 2 million compared to Q4 2020.

EBIT in Q4 2021 was USD 39 million (USD 127 million), a decrease of USD 88 million.

Net financial expenses in Q4 2021 amounted to USD 10 million (USD 20 million). The decrease in net expenses of USD 10 million was mainly explained by reduced interest expenses, net currency gain in Q4 2021 compared to net currency losses in Q4 2020, and fair value changes.

In Q4 2021, the income tax expense was USD 1 million (positive income tax USD 1 million).

Net profit in Q4 2021 was USD 28 million (USD 108 million).

### Profit & loss FY 2021

Operating revenue for FY 2021 was USD 864 million (USD 930 million), a decrease of USD 66 million. The decrease is mainly in the MODU segment and is primarily due to drilling operations in South Africa in 2020. The decrease in the MODU segment is partly offset by increased revenue in the Energy segment.

Other gains and losses FY 2021 was USD 8 million (USD 3 million), an increase of USD 5 million mainly due to a USD 7 million distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association.

EBITDA FY 2021 was USD 304 million (USD 420 million), a decrease of USD 116 million. The decrease is mainly in the MODU segment and primarily due to drilling operations in South Africa in 2020 and the timing of the recognition of revenue and costs. The EBITDA margin FY 2021 was 35% (45%).

Depreciation and amortisation cost FY 2021 was USD 182 million (USD 204 million), a decrease of USD 22 million mainly due to the MODU rig Deepsea Bergen that was disposed for recycling in Q4 2020.

EBIT FY 2021 was USD 122 million (USD 216 million), a decrease of USD 94 million.

Net financial expenses FY 2021 amounted to USD 43 million (USD 71 million). The decrease in net expenses of USD 28 million from FY 2020 to FY 2021 was mainly explained by reduced interest expenses and other borrowing costs as a result of a reduction in interest bearing debt and lower interest rates. Net currency gain in FY 2021 compared to net currency losses in FY 2020 and positive fair value changes also contributed to the decrease in net financial expenses.

FY 2021, the income tax expense was USD 4 million (USD 2 million).

Net profit FY 2021 was USD 74 million (USD 143 million).

### Balance sheet

Total assets as at 31 December 2021 amounted to USD 2,515 million (USD 2,640 million as at 31 December 2020), a decrease of USD 125 million.

Total equity as at 31 December 2021 amounted to USD 1,268 million (USD 1,199 million as at 31 December 2020) an increase of USD 69 million. The equity ratio was 50% as at 31 December 2021 (45% as at 31 December 2020).

Net interest bearing debt as at 31 December 2021 amounted to USD 863 million (USD 1,005 million as at 31 December 2020), a decrease of USD 142 million.

### Cash flow Q4 2021

Net cash flow from operating activities in Q4 2021 was positive with USD 109 million (USD 157 million). There was a positive change in working capital of USD 33 million (negative USD 1 million), mainly explained by reduced trade receivables and increase in payable social security and other taxes. The Group paid USD 12 million (USD 15 million) in interest.

Net cash outflow from investing activities in Q4 2021 was USD 19 million (USD 31 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities in Q4 2021 was USD 51 million (USD 71 million). In Q4 2021 the Group paid USD 48 million (USD 68 million) in instalments on credit facilities and leases, and dividends of USD 2 million (USD 2 million) were paid to the preference shareholder.

### Cash flow FY 2021

Net cash flow from operating activities FY 2021 was positive with USD 257 million (USD 346 million). The Group paid USD 50 million (USD 67 million) in interest.

Net cash outflow from investing activities FY 2021 was USD 97 million (USD 113 million), mainly due to purchases of fixed assets.

Net cash outflow from financing activities FY 2021 was USD 189 million (USD 193 million). The Group paid USD 182 million (USD 214 million) in instalments on credit facilities and leases, and dividends of USD 4 million (USD 4 million) were paid to the preference shareholder.

At 31 December 2021, cash and cash equivalents amounted to USD 173 million. There has been a net negative change of USD 34 million since 31 December 2020.

## Segments

### Mobile Offshore Drilling Units

*All figures in USD million*

| Key figures MODU segment | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| Operating revenue………………………………………… | 143 | 292 | 571 | 704 |
| EBITDA……………………………………………………… | 74 | 161 | 265 | 375 |
| EBIT………………………………………………………… | 35 | 126 | 116 | 206 |
| EBITDA margin…………………………………………… | 52% | 55% | 46% | 53% |

Operating revenue for the MODU segment in Q4 2021 was USD 143 million (USD 292 million), a decrease of USD 149 million. This is explained by Deepsea Stavanger's highly successful drilling campaign for Total in South Africa Q4 2020 resulting in a revenue difference of USD 166 million. The negative difference is partly offset by Deepsea Aberdeen being on full operating rate this quarter compared to quayside activities in the comparable quarter in 2020.

EBITDA for the MODU segment in Q4 2021 was USD 74 million (USD 161 million), a decrease of USD 87 million, for the same reasons as mentioned above. Furthermore, MODU has a positive variance of USD 7 million due a distribution of capital from The Norwegian Shipowners' Mutual War Risks Insurance Association. The EBITDA margin for the MODU segment was 52% in Q4 2021 compared to 55% in Q4 2020.

EBIT for the MODU segment in Q4 2021 was USD 35 million (USD 126 million), a decrease of USD 91 million.

Operating revenue for the MODU segment FY 2021 was USD 571 million (USD 704 million), a decrease of USD 133 million. This is mainly due to decreased revenue for Deepsea Stavanger of USD 178 million due to the successful drilling campaign in South Africa in 2020 as mentioned above. This is partly offset by higher revenue for Deepsea Aberdeen and Deepsea Nordkapp in 2021 compared to 2020.

EBITDA for the MODU segment FY 2021 was USD 265 million (USD 375 million), a decrease of USD 110 million, mainly explained by a decrease in EBITDA for Deepsea Stavanger of USD 129 million. The EBITDA margin for the MODU segment was 46% FY 2021 compared to 53% FY 2020.

EBIT for the MODU segment in FY 2021 was USD 116 million (USD 206 million), a decrease of USD 90 million.

### *MODU - Financial utilisation*

The financial utilisation for each of the Group's fully owned mobile offshore drilling units was as follows:

| Financial Utilisation - MODU | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| Deepsea Stavanger……………………………………… | 98.7 % | 100.0 % | 99.0 % | 99.2 % |
| Deepsea Atlantic………………………………………… | 99.3 % | 98.3 % | 95.5 % | 98.9 % |
| Deepsea Bergen…………………………………………… | n/a | n/a | n/a | 92.7 % |
| Deepsea Aberdeen……………………………………… | 99.5 % | 100.0 % | 98.8 % | 92.1 % |
| Deepsea Nordkapp ……………………………………… | 99.4 % | 99.2 % | 98.9 % | 99.0 % |

- Deepsea Stavanger concluded the contract with Aker BP on 8 November 2021 and has thereafter been preparing for its next operations with Lundin which commenced 1 January 2022.
- Deepsea Atlantic has been operating for Equinor on the NCS in Q4 2021.
- Deepsea Bergen finalised its last contract on 23 March 2020. The unit was disposed for recycling at the end of 2020.
- Deepsea Aberdeen was on contract with bp and Wintershall on the NCS during Q4 2021.
- Deepsea Nordkapp has been operating for Aker BP on the NCS in Q4 2021.

## Energy

*All figures in USD million*

| Key figures Energy segment | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| Operating revenue……………………………………….………. | 62 | 45 | 215 | 156 |
| EBITDA…………………………………………………………..……. | 6 | 3 | 13 | 15 |
| EBIT………………………………………………………………..…….. | 6 | 3 | 13 | 15 |
| EBITDA margin………………………………………………..……. | 9% | 8% | 6% | 10% |

Operating revenue for the Energy segment in Q4 2021 was USD 62 million (USD 45 million), an increase of USD 17 million. This is mainly explained by increased activity in Operations compared to Q4 2020.

EBITDA for the Energy segment in Q4 2021 was USD 6 million (USD 3 million), an increase of USD 3 million. The EBITDA margin for the Energy segment in Q4 2021 was 9% (8%). The increase is mainly explained by more operating units in Operations and high incentive bonuses in Q4 2021.

EBIT for the Energy segment Q4 2021 was USD 6 million (USD 3 million), an increase of USD 3 million.

Operating revenue for the Energy segment in FY 2021 was USD 215 million (USD 156 million), an increase of USD 59 million. The increase is mainly explained by more operating units in Operations in 2021 and higher incentive bonuses.

EBITDA for the Energy segment in FY 2021 was USD 13 million (USD 15 million), a decrease of USD 2 million. The decrease is mainly explained by reduced utilisation of the engineering resource base compared to last year.  The EBITDA margin for the Energy segment in FY 2021 was 6% (10%).

EBIT for the Energy segment in FY 2021 was USD 13 million (USD 15 million), a decrease of USD 2 million.

**Well Services**

*All figures in USD million*

| Key figures Well Services segment | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| Operating revenue……………………………………………… | 31 | 28 | 116 | 104 |
| EBITDA……………………………………………………………… | 9 | 9 | 30 | 32 |
| EBIT………………………………………………………………… | 2 | 2 | 5 | 7 |
| EBITDA margin………………………………………………… | 29% | 32% | 26% | 31% |

Operating revenue for the OWS segment in Q4 2021 was USD 31 million (USD 28 million), an increase of USD 3 million. The increase is driven by the higher activity in the Middle East, Africa and Asia (MEAA) region.

EBITDA for the OWS segment in Q4 2021 was USD 9 million (USD 9 million). EBITDA margin for the OWS segment in Q4 2021 was 29% (32%).

EBIT for the OWS segment in Q4 2021 was USD 2 million (USD 2 million).

Operating revenue for the OWS segment FY 2021 was USD 116 million (USD 104 million), an increase of USD 12 million. The increase is explained by higher activity in both the Norwegian and MEAA markets offset by lower activity in the European sectors which have been impacted by the prolonged effects of the COVID-19 restrictions.

EBITDA for the OWS segment in FY 2021 was USD 30 million (USD 32 million), a decrease of USD 2 million. EBITDA margin for the OWS segment in FY 2021 was 26% (31%). The net decrease in EBITDA is as a result of the lower activity in Europe and lower profitability in Norway countered by improved profitability for the MEAA region.

EBIT for the OWS segment in FY 2021 was USD 5 million (USD 7 million).

## Environmental, social responsibility and governance (ESG)

Odfjell Drilling's ESG strategy is divided into the focus areas: Environmental Impact; People & Safety; and Ethics & Governance. For a full presentation of the strategy, and the material and important topics within each focus area, reference is made to the 2020 Sustainability Report published on https://www.odfjelldrilling.com/Investor-relations/Presentations/. Please see a status update for Q4 2021 on all focus areas below.

Environmental Impact: MODU received NOK 40.5 million from the Norwegian NOx fund after successfully documenting negative emission trends on Deepsea Atlantic using new battery-hybrid technology. Similar technology is being implemented on Deepsea Aberdeen, Deepsea Nordkapp and Deepsea Stavanger. In the Netherlands, Odfjell Well Services supported an operation for Gasunie who successfully injected hydrogen into the subsurface at their Zuidwending site. This marks another step in the development of hydrogen as part of the future energy mix. Odfjell Energy established an alliance with the Norwegian based ship and offshore yard CCB, offering energy screening and efficiency/emission reduction projects.

People & Safety: Launch of QHSE programme for 2022. The programme identifies areas that are important for us in order to maintain and further develop the quality of our processes, our safety standards and environmental performance. This to ensure we operate safely and in accordance with our stakeholders' expectations in 2022. Global working environment survey was completed.

Ethics & Governance: New cyber security awareness video included in the Group's e-learning portal. The "Cyber Security Management Manual" was launched to provide strategic guidance on how Odfjell Drilling can protect its systems and data from cyber threats. A new "High Risk Third Party Procedure" was established for the Group. Launch of updated version of the "Code of Business Conduct" course, with all employees encouraged to complete the mandatory course by year end. All employees were also encouraged to file annual confirmation of compliance for 2021, including reporting any potential conflict of interest in the Group's business compliance portal.

## Outlook

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

There is currently a strong focus on alternative energy sources and the overall future mix of energy. The transition into greener energy sources is expected to impact the energy market in the coming decades, however the need for continued exploration and production of oil and gas is viewed as vital to bridge the increasing energy demand as new energy sources take time to implement.

The general situation for the global offshore industry has been challenging for some time. This has resulted in overcapacity and financial challenges for several of the players in the offshore drilling market. Industry consolidation coupled with improved market fundamentals have now resulted in a more positive outlook for the global offshore industry.

For the harsh environment market, where Odfjell Drilling operates, the utilisation outlook looks stronger and more in balance. We note increased lead time (being the time from request or tender to contract start-up) from E&P companies in harsh environment. Additionally, the strong focus on high efficiency, combined with low emissions, favours contractors with our 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 triggers increased activity over the next few years.

Deepsea Stavanger has been operating for both Lundin and Aker BP during Q4 2021. The contract with Aker BP was finalised on 8 November and the rig again returned to operations for Lundin on 1 January

2022 for a one well program. Deepsea Stavanger finalised this well at the end of January and on 1 February 2022 commenced its work under the Master Frame Agreement with Equinor. The current fixed well program with Equinor is expected to take firm operations into Q3 2022.

Deepsea Atlantic commenced its Johan Sverdrup phase 2 contract with Equinor on 31 December 2021 after completing several wells under the Master Frame Agreement with Equinor in 2021. The rig is expected to have full operations until mid 2023.

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 continue to be compensated by bp through monthly payments until April 2022.

Deepsea Nordkapp commenced operations for Aker BP under the Alliance agreement on 10 May 2019. The rig has currently firm work into Q1 2024 as Aker BP recently exercised a scope based option covering four KEG development wells on the NCS.

Additionally, the company has secured two strategically important management contracts for Mira and Bollsta providing Odfjell Drilling with complementary capacity to meet future demand.

We expect OWS to benefit from the increased market demand on a global basis, as the number of rigs in operations are increasing. 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 all geographical areas where OWS has operations.

Lastly, the market for our Energy service activities has been stable over the last decade. We have established a strong presence within Platform Drilling in the North Sea with efficient operations and strong client relationships, which we expect to capitalise on further. Additionally, we are positioning for new service areas with the intention of expanding the Energy service portfolio.

## Risks and uncertainties

In the Group’s view, factors that could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, global political changes regarding energy composition, competition within the oil and gas services industry, changes in clients’ spending budgets, cost inflation, access to qualified resources and developments in the financial and fiscal markets. Furthermore, as the Group’s fully owned fleet consists of four units, 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. Additionally, any unforeseen consequences of COVID-19 and other future pandemics may impact the financial result.

Losses incurred by many financial institutions related to recent years’ volatility and company restructurings in our industry, has led many financial institutions to target a shift in focus and exposure away from rig and oil services companies. Although Odfjell Drilling has strong backlog, robust balance sheet with low leverage, and a longstanding relationship with its key lenders, the market for rig financing remains challenging and future funding sources may be somewhat restricted.

The uncertainties and volatility in today's financial markets represent a risk for the Group with respect to funding, should these market conditions continue over time. The market outlook and contract situation for the Group's mobile offshore drilling units may also affect covenant risk, since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. Total liquidity position continues to be monitored. The Group has, in recent years, implemented cost reduction and efficiency improvement programs, and continues its focus on capital discipline in order to improve its competitiveness in this challenging market.

## Quality, health, safety & environment (QHSE)

| Key figures QHSE | FY 21 | FY 20 |
|---|---|---|
| Lost time incident frequency (as per 1 million working hours)…………………… | 2.2 | 1.5 |
| Total recordable incident frequency (as per 1 million working hours)……….. | 2.4 | 4.7 |
| Sick leave (percentage)…………………………………………………………………… | 4.8 | 3.0 |
| Dropped objects frequency (as per 1 million working hours)…………………… | 3.0 | 4.8 |
| Number of employees……………………………………………………………………… | 2,927 | 2,628 |

Aberdeen, United Kingdom
23 February 2022

Board of Directors of Odfjell Drilling Ltd.

Helene Odfjell, Chair

Susanne Munch Thore, Director

Harald Thorstein, Director

Alasdair Shiach, Director

Thomas Marsoner, Director

## Appendix 1: Definitions of alternative performance measures

*Contract backlog*
*The Company's fair estimation of revenue in firm contracts (firm backlog) 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*

*EBIT margin*
*EBIT/Operating revenue*

*EBITDA*
*Earnings before interest, taxes, depreciation and appreciation*

*EBITDA margin*
*EBITDA/Operating revenue*

*Equity ratio*
*Total equity/total equity and liabilities*

*Financial utilisation*
*Financial utilisation is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month. Financial utilisation is only measured for periods on charter. The calculation does not include any recognised incentive payments.*

*Net interest-bearing debt*
*Non-current interest-bearing borrowings plus current interest-bearing borrowings less cash and cash equivalents. Interest-bearing borrowings do not include lease liabilities.*

*Net (loss) profit*
*Equal to profit (loss) for the period after taxes*

*Earnings per share*
*Net profit / number of outstanding shares*

# ODFJELL DRILLING

# Odfjell Drilling Ltd.

# Condensed Consolidated Financial Statements

4th quarter of 2021 and preliminary results for the financial year ending 31 December 2021

Unaudited

## Condensed Consolidated Income Statement

| USD thousands | Note | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|---|
| **Operating revenue** | 2,3 | **221,871** | **355,420** | **863,853** | **929,739** |
| Other gains and losses | | 7,460 | 1,516 | 7,993 | 2,531 |
| Personnel expenses | | (102,355) | (111,709) | (402,899) | (340,303) |
| Other operating expenses | | (41,630) | (74,602) | (165,406) | (171,563) |
| **EBITDA** | | **85,346** | **170,626** | **303,541** | **420,403** |
| Depreciation and amortisation | 5,6,7 | (46,389) | (43,951) | (181,941) | (203,962) |
| **Operating profit (EBIT)** | | **38,957** | **126,675** | **121,600** | **216,441** |
| Share of profit (loss) from joint ventures and associates | | (312) | - | (539) | - |
| Net financial items | 14 | (10,087) | (20,026) | (43,370) | (70,798) |
| **Profit before tax** | | **28,558** | **106,649** | **77,691** | **145,643** |
| Income tax expense | | (924) | 1,015 | (3,838) | (2,339) |
| **Net profit** | | **27,634** | **107,664** | **73,852** | **143,304** |
| Profit (loss) attributable to: | | | | | |
| Non-controlling interests | | - | (73) | (531) | (73) |
| Owners of the parent | | 27,634 | 107,738 | 74,383 | 143,377 |
| **Earnings per share (USD)** | | | | | |
| Basic earnings per share | 10 | 0.11 | 0.45 | 0.28 | 0.57 |
| Diluted earnings per share | 10 | 0.11 | 0.45 | 0.28 | 0.57 |

## Condensed Consolidated Statement of Comprehensive Income

| USD thousands | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| **Net profit** | **27,634** | **107,664** | **73,852** | **143,304** |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Actuarial gain (loss) on post employment benefit obligations | (222) | 847 | (341) | (2,039) |
| **Items that are or may be reclassified to profit or loss:** | | | | |
| Cash flow hedges | 2,996 | 6,315 | 3,888 | (7,303) |
| Currency translation differences | (563) | 12,580 | (3,831) | 4,837 |
| **Other comprehensive income, net of taxes** | **2,211** | **19,742** | **(283)** | **(4,504)** |
| **Total comprehensive income** | **29,845** | **127,406** | **73,569** | **138,799** |
| Total comprehensive income attributable to: | | | | |
| Non-controlling interests | - | (21) | (524) | (21) |
| Owners of the parent | 29,845 | 127,427 | 74,093 | 138,820 |

# Condensed Consolidated Statement of Financial Position

| USD thousands | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax asset | | 1,291 | 1,040 |
| Intangible assets | 5 | 28,516 | 28,892 |
| Property, plant and equipment | 6,7 | 2,108,856 | 2,203,387 |
| Financial non-current assets | 4 | 8,174 | 2,588 |
| **Total non-current assets** | | **2,146,837** | **2,235,908** |
| Trade receivables | | 154,547 | 161,889 |
| Contract assets | | 10,221 | 9,898 |
| Other current assets | 4 | 30,516 | 25,900 |
| Cash and cash equivalents | | 173,031 | 206,895 |
| **Total current assets** | | **368,314** | **404,583** |
| **Total assets** | | **2,515,151** | **2,640,491** |
| **Equity and liabilities** | | | |
| Paid-in capital | 13 | 564,959 | 564,959 |
| Other equity | | 703,215 | 632,909 |
| **Equity attributable to owners of the parent** | | **1,268,174** | **1,197,868** |
| Non-controlling interests | | - | 636 |
| **Total equity** | | **1,268,174** | **1,198,503** |
| Non-current interest-bearing borrowings | 11 | 875,352 | 695,792 |
| Non-current lease liabilities | 7 | 38,282 | 36,920 |
| Post-employment benefits | | 6,006 | 6,902 |
| Non-current contract liabilities | | 5,589 | 3,688 |
| Other non-current liabilities | 4 | 3,967 | 16,623 |
| **Total non-current liabilities** | | **929,197** | **759,925** |
| Current interest-bearing borrowings | 11 | 161,058 | 515,799 |
| Current lease liabilities | 7 | 7,796 | 7,633 |
| Contract liabilities | | 21,798 | 14,003 |
| Trade payables | | 43,190 | 52,667 |
| Other current liabilities | 4 | 83,938 | 91,961 |
| **Total current liabilities** | | **317,781** | **682,063** |
| **Total liabilities** | | **1,246,978** | **1,441,987** |
| **Total equity and liabilities** | | **2,515,151** | **2,640,491** |

## Condensed Consolidated Statement of Changes in Equity

| USD thousands | Paid-in capital | Other equity | Attributable to owners of the parent | Attributable to common shares | Attributable to preference shares | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 564,959 | 497,419 | 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 | - | (4,557) | (4,557) | (4,557) | - | 53 | (4,504) |
| Total comprehensive income for the period | - | 138,820 | 138,820 | 130,607 | 8,213 | (21) | 138,799 |
| Dividend to preference shareholders | - | (4,107) | (4,107) | - | (4,107) | - | (4,107) |
| Non-controlling interest on acquisition of a subsidiary | - | - | - | - | - | 549 | 549 |
| Transactions with non-controlling interests | - | 247 | 247 | 247 | - | 108 | 355 |
| Cost of Share-option plan | | 529 | 529 | 529 | - | - | 529 |
| Transactions with owners | - | (3,330) | (3,330) | 776 | (4,107) | 656 | (2,674) |
| **Balance at 31 December 2020** | **564,959** | **632,909** | **1,197,868** | **1,112,644** | **85,224** | **636** | **1,198,503** |
| Profit/(loss) for the period | - | 74,383 | 74,383 | 65,754 | 8,629 | (531) | 73,852 |
| Other comprehensive income for the period | - | (291) | (291) | (291) | - | 7 | (283) |
| Total comprehensive income for the period | - | 74,093 | 74,093 | 65,464 | 8,629 | (524) | 73,569 |
| Dividend to preference shareholders | - | (4,314) | (4,314) | - | (4,314) | - | (4,314) |
| Loss of control of a subsidiary | - | - | - | - | - | (112) | (112) |
| Cost of Share-option plan | - | 528 | 528 | 528 | - | - | 528 |
| Transactions with owners | - | (3,787) | (3,787) | 528 | (4,314) | (112) | (3,899) |
| **Balance at 31 December 2021** | **564,959** | **703,215** | **1,268,174** | **1,178,635** | **89,539** | **-** | **1,268,174** |

## Condensed Consolidated Statement of Cash Flows

| USD thousands | Note | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | |
| Profit/(loss) before tax | | 28,558 | 106,649 | 77,691 | 145,643 |
| Adjustment for provisions and other non-cash elements | | 59,028 | 67,272 | 230,172 | 266,518 |
| Changes in working capital | | 33,462 | (421) | 194 | 3,424 |
| ***Cash generated from operations*** | | ***121,048*** | ***173,499*** | ***308,056*** | ***415,584*** |
| Net interest paid | | (12,266) | (15,482) | (49,869) | (66,648) |
| Net income tax paid | | (59) | (722) | (1,686) | (3,194) |
| **Net cash flow from operating activities** | | **108,724** | **157,295** | **256,501** | **345,743** |
| **Cash flows from investing activities:** | | | | | |
| Purchase of property, plant and equipment | 5,6 | (18,672) | (32,548) | (97,833) | (114,047) |
| Proceeds from sale of property, plant and equipment | | 98 | 1,509 | 974 | 3,130 |
| Other non-current receivables | | (97) | (110) | (49) | (2,461) |
| Cash used in obtaining control of subsidiaries | | - | - | - | (100) |
| Proceeds from transactions with non-controlling interests | | - | 355 | - | 355 |
| Cash flows from losing control of subsidiaries | | - | - | (487) | - |
| **Net cash flow from investing activities** | | **(18,670)** | **(30,793)** | **(97,395)** | **(113,123)** |
| **Cash flows from financing activities:** | | | | | |
| Net (payments)/proceeds from borrowings | 11 | - | - | (2,133) | 25,000 |
| Repayment of borrowings | 11 | (47,053) | (67,053) | (176,211) | (208,211) |
| Repayment of lease liabilities | 7 | (1,388) | (1,406) | (6,126) | (5,822) |
| Dividends paid to preference shareholders | | (2,201) | (2,090) | (4,314) | (4,107) |
| **Net cash flow from financing activities** | | **(50,642)** | **(70,549)** | **(188,784)** | **(193,139)** |
| Effects of exchange rate changes on cash and cash equivalents | | (1,424) | 2,340 | (4,186) | (2,279) |
| **Net increase (decrease) in cash and cash equivalents** | | **37,988** | **58,292** | **(33,864)** | **37,201** |
| Cash and cash equivalents at beginning of period | | 135,043 | 148,603 | 206,895 | 169,694 |
| **Cash and cash equivalents at period end** | | **173,031** | **206,895** | **173,031** | **206,895** |

# Note 1 | Accounting Principles

### General information

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

Odfjell Drilling Ltd., 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.

These condensed interim financial statements were approved by the Board of Directors on 23 February 2022 and have not been audited.

### Basis for preparation

These condensed interim financial statements for the twelve months period ended 31 December 2021 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020.

### Going concern

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

The substantial reduction 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.

### Accounting principles

The accounting principles adopted are consistent with those of the previous financial year.

### Use of estimates

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

The 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.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to Note 5 where assumptions and sensitivity analysis for goodwill are presented. Reference is also made to liquidity risk in Note 4 and contingencies in Note 12.

Income tax expense and deferred income tax liability is calculated by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

## Note 2 | Segment summary

The Board is the Group's chief operating decision maker. 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.

- **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:** The Energy segment provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea, as well as engineering services, including design, project management and operation and support. The Energy segment will also develop growth within new product lines where the strategy is to create a footprint within sustainable energy solutions.

- **OWS:** The OWS segment provides casing and tubular running services, and wellbore cleaning in addition to 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 | Q4 21 | Q4 20 | Q4 21 | Q4 20 | Q4 21 | Q4 20 | Q4 21 | Q4 20 | Q4 21 | Q4 20 |
| External segment revenue | 143,204 | 292,140 | 57,688 | 42,778 | 18,794 | 18,839 | 2,185 | 1,663 | 221,871 | 355,420 |
| Inter segment revenue | - | - | 4,024 | 2,350 | 11,843 | 8,775 | (15,867) | (11,125) | - | - |
| **Total revenue** | **143,204** | **292,140** | **61,712** | **45,128** | **30,638** | **27,614** | **(13,682)** | **(9,462)** | **221,871** | **355,420** |
| | | | | | | | | | | |
| **EBITDA** | **74,188** | **161,066** | **5,540** | **3,478** | **8,748** | **8,892** | **(3,131)** | **(2,810)** | **85,346** | **170,626** |
| Depreciation and impairment | (39,381) | (34,834) | (16) | (21) | (6,488) | (6,774) | (505) | (2,322) | (46,389) | (43,951) |
| **EBIT** | **34,808** | **126,232** | **5,524** | **3,457** | **2,260** | **2,118** | **(3,635)** | **(5,132)** | **38,957** | **126,675** |
| | | | | | | | | | | |
| Share of profit (loss) from joint ventures and associates | | | | | | | | | (312) | - |
| Net financial items | | | | | | | | | (10,087) | (20,026) |
| **Profit / (loss) before tax - Consolidated Group** | | | | | | | | | **28,558** | **106,649** |

# Note 2 | Segment summary - cont.

| | Mobile Offshore Drilling Units | | Energy | | Well Services | | Corporate / Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY 21 | FY 20 | FY 21 | FY 20 | FY 21 | FY 20 | FY 21 | FY 20 | FY 21 | FY 20 |
| External segment revenue | 571,288 | 703,881 | 200,111 | 142,316 | 79,848 | 76,703 | 12,606 | 6,838 | 863,853 | 929,739 |
| Inter segment revenue | - | - | 15,120 | 13,265 | 35,984 | 27,164 | (51,104) | (40,430) | - | - |
| **Total revenue** | **571,288** | **703,881** | **215,231** | **155,582** | **115,832** | **103,868** | **(38,497)** | **(33,591)** | **863,853** | **929,739** |
| **EBITDA** | **265,259** | **375,284** | **13,389** | **15,184** | **29,999** | **32,266** | **(5,106)** | **(2,331)** | **303,541** | **420,403** |
| Depreciation and impairment | (149,441) | (169,484) | (79) | (99) | (24,551) | (25,409) | (7,870) | (8,970) | (181,941) | (203,962) |
| **EBIT** | **115,818** | **205,800** | **13,311** | **15,085** | **5,448** | **6,858** | **(12,977)** | **(11,302)** | **121,600** | **216,441** |
| Share of profit (loss) from joint ventures and associates | | | | | | | | | (539) | - |
| Net financial items | | | | | | | | | (43,370) | (70,798) |
| **Profit / (loss) before tax - Consolidated Group** | | | | | | | | | **77,691** | **145,643** |

# Note 3 | Revenue

| USD thousands | Q4 21 | Q4 20 | FY 21 | FY 20 |
|---|---|---|---|---|
| Revenue from contracts with customers | 215,680 | 348,266 | 839,512 | 901,117 |
| Other operating revenue | 6,191 | 7,154 | 24,341 | 28,622 |
| **Operating revenue** | **221,871** | **355,420** | **863,853** | **929,739** |

## Disaggregation of revenue - Primary geographical markets

| | Mobile Offshore Drilling Units | | Energy | | Well Services | | Corporate / Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| USD thousands | Q4 21 | Q4 20 | Q4 21 | Q4 20 | Q4 21 | Q4 20 | Q4 21 | Q4 20 | Q4 21 | Q4 20 |
| Norway | 143,204 | 79,033 | 41,797 | 31,445 | 16,766 | 14,604 | (12,042) | (4,897) | 189,725 | 120,184 |
| UK | - | 32,198 | 19,915 | 13,684 | 3,110 | 2,722 | (1,641) | (1,412) | 21,384 | 47,192 |
| Europe - other countries | - | - | - | - | 3,371 | 3,672 | - | - | 3,371 | 3,672 |
| Asia | - | - | - | - | 7,245 | 3,662 | - | (183) | 7,245 | 3,479 |
| Africa | - | 180,909 | - | - | 129 | 2,889 | - | (2,971) | 129 | 180,827 |
| Other geographical markets | - | - | - | - | 17 | 65 | - | - | 17 | 65 |
| **Total operating revenue** | **143,204** | **292,140** | **61,712** | **45,128** | **30,638** | **27,614** | **(13,682)** | **(9,462)** | **221,871** | **355,420** |

| | Mobile Offshore Drilling Units | | Energy | | Well Services | | Corporate / Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| USD thousands | FY 21 | FY 20 | FY 21 | FY 20 | FY 21 | FY 20 | FY 21 | FY 20 | FY 21 | FY 20 |
| Norway | 571,288 | 349,128 | 148,900 | 103,013 | 64,640 | 55,085 | (34,158) | (25,204) | 750,669 | 482,023 |
| UK | - | 139,396 | 66,331 | 52,568 | 10,193 | 9,267 | (4,339) | (3,707) | 72,185 | 197,524 |
| Europe - other countries | - | - | - | - | 12,879 | 15,962 | - | - | 12,879 | 15,962 |
| Asia | - | 308 | - | - | 27,613 | 18,097 | - | (133) | 27,613 | 18,272 |
| Africa | - | 215,048 | - | - | 277 | 5,199 | - | (4,548) | 277 | 215,700 |
| Other geographical markets | - | - | - | - | 229 | 258 | - | - | 229 | 258 |
| **Total operating revenue** | **571,288** | **703,881** | **215,231** | **155,582** | **115,832** | **103,868** | **(38,497)** | **(33,591)** | **863,853** | **929,739** |

# Note 4 | Financial risk management and Financial instruments

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's refinancing risk is diversified with each loan facility maturing at different times until June 2024 - see repayment schedule and additional information in Note 11.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; consequently they should be read in conjunction with the Group's annual audited financial statements as at 31 December 2020.

Odfjell Drilling has had limited financial impact due to the COVID-19 outbreak as all business areas acted quickly to implement required routines and procedures to limit the spread of the virus. The Group will continue to monitor the situation and take actions as required and recommended by local authorities. Any unforeseen consequences of COVID-19 and other future pandemics may impact the financial result.

Calculation of the Group’s sensitivity to interest rate fluctuations showed that the effect of an increase in interest rates by one percentage point (e.g. from 4.0% to 5.0%) is approximately USD 4 million for the next 12 months including interest rate swaps, which is about USD 1 million lower than at year-end 2020.

### Liquidity risk

Operating in more than 20 jurisdictions Odfjell Drilling do from time to time receive enquiries from authorities about compliance related matters. Refer to Note 12 regarding notice of decision received 1 October 2021 from HM Revenue and Customs. The Group has per 31 December 2021 not received any other formal material assessment which is not disclosed in the financial statements. However, there might be a risk of demand for payment from relevant authorities during such processes, even if the final conclusion is in the Groups favour. Refer to annual report for the year ended 31 December 2020, Note 10 and Note 28, for further information.

Compared to year-end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except changes in non-current liabilities as disclosed in Note 11.

### Credit risk

Compared to year end, there was no material change in credit risk for the Group.

## Note 4 | Financial risk management and Financial instruments - cont.

**Fair value estimation**
The table below analyses 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.

Set out below, is an overview of financial assets and liabilities, other than cash and cash equivalents, held by the Group:

| USD thousands | Level | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | |
| Derivatives not designated as hedging instruments | | | |
| - Interest rate swaps - Other non-current assets | 2 | 4,963 | - |
| - Foreign exchange forward contracts - Other current assets | 2 | - | 1,360 |
| Derivatives designated as hedging instruments | | | |
| - Foreign exchange forward contracts - Other current assets | 2 | 584 | 4,366 |
| **Financial assets at amortised cost** | | | |
| - Other non-current receivables | | 2,726 | 2,588 |
| - Trade and other current receivables | | 169,126 | 173,482 |
| **Total financial assets** | | **177,398** | **181,796** |

| USD thousands | Level | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Financial liabilities at fair value through profit or loss** | | | |
| Derivatives not designated as hedging instruments | | | |
| - Interest rate swaps - Other non-current liabilities | 2 | - | 828 |
| Derivatives designated as hedging instruments | | | |
| - Interest rate swaps - Other non-current liabilities | 2 | 3,017 | 10,545 |
| Warrant liabilities - Other non-current liabilities | 3 | 950 | 5,250 |
| **Financial liabilities at amortised cost** | | | |
| - Other non-current payables | | - | - |
| - Non-current lease liabilities | | 38,282 | 36,920 |
| - Current lease liabilities | | 7,796 | 7,633 |
| - Trade and other payables | | 99,812 | 119,186 |
| - Non-current interest-bearing borrowings | | 875,352 | 695,792 |
| - Current interest-bearing borrowings | | 161,058 | 515,799 |
| **Total financial liabilities** | | **1,186,268** | **1,391,953** |

## Note 4 | Financial risk management and Financial instruments - cont.

### Valuation techniques used to derive Level 2 fair values

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

### Valuation techniques used to derive Level 3 fair values

Warrant liabilities are Level 3 derivatives held at fair value through profit or loss. The Company has calculated fair value of the warrant liability using a modelling technique with Monte Carlo simulation together with judgement regarding modelling assumptions. No changes have been made in 2021 related to the warrant agreements, nor to the modelling technique used to calculate fair value. Changes in book value relate to fair value changes.

### Fair value of financial liabilities measured at amortised cost

The fair value of interest-bearing borrowings are as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Non-current | 875,352 | 695,792 |
| Current | 161,058 | 515,799 |
| **Total** | **1,036,410** | **1,211,591** |

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Other non-current receivables
- Trade and other current receivables
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables
- Non-current lease liabilities
- Current lease liabilities

## Note 5 | Intangible assets

| USD thousands | Goodwill | Software and other intangible assets | Total intangible assets |
|---|---|---|---|
| Opening net book amount as at 1 January 2021 | 19,740 | 9,152 | 28,892 |
| Additions | - | 6,130 | 6,130 |
| Disposal due to loss of control of subsidiary * | (793) | - | (793) |
| Amortisation | - | (4,875) | (4,875) |
| Currency translation differences | (586) | (254) | (840) |
| **Closing net book amount as at 31 December 2021** | **18,361** | **10,154** | **28,516** |
| | | | |
| Opening net book amount as at 1 January 2020 | 18,443 | 11,235 | 29,678 |
| Additions | - | 1,429 | 1,429 |
| Acquisition of subsidiary | 680 | - | 680 |
| Amortisation | - | (3,542) | (3,542) |
| Currency translation differences | 617 | 30 | 647 |
| **Closing net book amount as at 31 December 2020** | **19,740** | **9,152** | **28,892** |

* Disposal due to loss of control of subsidiary relates to investment in Odfjell Oceanwind AS. Due to capital contributions from other investors, the Group's financial interest has been reduced to about 15% as at 31 December 2021. Odfjell Oceanwind AS is now classified as a joint venture, and is accounted for using the equity method from May 2021.

# Note 5 | Intangible assets - cont.

### Impairment tests for goodwill

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The Group has conducted the annual impairment test as at 31 December 2021.

Goodwill is monitored by management at the operating segment level. 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 2022 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 within respective CGU's do not indicate any impairment requirement as at 31 December 2021.

The key assumptions used for value-in-use calculations as per Q4 2021 are as follows:

| | Mobile Offshore Drilling Units | Energy | Well Services |
|---|---|---|---|
| EBITDA margin in prognosis period | 11% - 15% | 5% - 8% | 22% - 36% |
| Growth rate year 6 and forward | 0.0% | 0.0% | 0.0% |
| Weighted Average Cost of Capital, pre-tax | 10% | 10% | 12% |

### Sensitivity analysis for goodwill impairment test

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 4 million in the Well Services segment, while reducing EBITDA margin by ten percentage points indicated impairment write-downs of USD 11 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 2021.

# Note 6 | Property, plant and equipment

| USD thousands | Mobile drilling units | Periodic maintenance | Well Services equipment | Other fixed assets | Right-of-use assets | Total fixed assets |
|---|---|---|---|---|---|---|
| Opening net book amount as at 1 January 2021 | 1,965,571 | 123,628 | 68,724 | 2,888 | 42,576 | 2,203,387 |
| Additions | 45,327 | 13,173 | 15,195 | 1,919 | 9,135 | 84,749 |
| Disposals | (94) | - | (411) | (99) | - | (605) |
| Depreciation | (112,218) | (34,597) | (22,218) | (1,211) | (6,822) | (177,066) |
| Reclassification | (24,530) | - | 24,530 | - | - | - |
| Currency translation differences | - | - | (29) | (125) | (1,455) | (1,609) |
| **Net book amount as at 31 December 2021** | **1,874,056** | **102,203** | **85,792** | **3,371** | **43,434** | **2,108,856** |
| Opening net book amount as at 1 January 2020 | 2,050,569 | 106,666 | 74,363 | 3,357 | 45,911 | 2,280,867 |
| Additions | 41,993 | 59,183 | 18,075 | 601 | 2,616 | 122,469 |
| Disposals | (55) | - | (538) | (7) | - | (600) |
| Depreciation | (126,937) | (42,221) | (23,208) | (1,143) | (6,913) | (200,421) |
| Currency translation differences | - | - | 32 | 79 | 961 | 1,072 |
| **Net book amount as 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 | |

Refer to Note 7 for more information about Right-of-use assets.

### Impairment of property, plant and equipment

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceed the recoverable amount. Mobile drilling units impaired in previous periods, are assessed for reversal of the impairment whenever there are indicators that the impairment loss previously recognised no longer exist or has decreased.

Odfjell Drilling has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2021.

# Note 7 | Leases

**The balance sheet shows the following amounts related to leases:**

| USD thousands | Properties | Other fixed assets | Total Right-of-use assets |
|---|---|---|---|
| Net book amount as at 1 January 2021 | 42,576 | - | 42,576 |
| Additions | 9,135 | - | 9,135 |
| Depreciation | (6,822) | - | (6,822) |
| Currency translation differences | (1,455) | - | (1,455) |
| **Net book amount as at 31 December 2021** | **43,434** | **-** | **43,434** |

| USD thousands | Properties | Other fixed assets | Total Right-of-use assets |
|---|---|---|---|
| Net book amount as at 1 January 2020 | 45,530 | 382 | 45,911 |
| Additions | 2,617 | 1 | 2,617 |
| Depreciation | (6,558) | (355) | (6,913) |
| Currency translation differences | 988 | (27) | 960 |
| **Net book amount as at 31 December 2020** | **42,576** | **-** | **42,576** |

The Right-of-use assets are included in the line item "Property, plant and equipment" in the balance sheet, refer to Note 6.

**Lease liabilities**

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Non-current | 38,282 | 36,920 |
| Current | 7,796 | 7,633 |
| **Total** | **46,078** | **44,553** |

**Movements in non-current lease liabilities are analysed as follows:**

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Carrying amount as at 1 January | 36,920 | 38,901 |
| **Non-cash flows:** | | |
| New lease liabilities recognised in the year | 9,135 | 2,616 |
| Interest expense on lease liabilities | 2,566 | 2,396 |
| Reclassified to current portion of lease liabilities | (9,074) | (7,854) |
| Currency exchange differences | (1,264) | 859 |
| **Carrying amount as at end of period** | **38,282** | **36,920** |

**Movements in current lease liabilities are analysed as follows:**

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Carrying amount as at 1 January | 7,633 | 7,757 |
| **Cash flows:** | | |
| Payments for the principal portion of the lease liability | (6,126) | (5,822) |
| Payments for the interest portion of the lease liability | (2,517) | (2,379) |
| **Non-cash flows:** | | |
| Reclassified from non-current portion of lease liabilities | 9,074 | 7,854 |
| Currency exchange differences | (268) | 223 |
| **Carrying amount as at end of period** | **7,796** | **7,633** |

## Note 8 | Commitments

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

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Rig investments | 10,586 | 31,644 |
| Rental and casing equipment | 22,241 | 2,811 |
| **Total** | **32,827** | **34,456** |

## Note 9 | Paid dividends and acquisition of own shares

The Group paid cash dividends of USD 2.1 million in Q2 2021 and USD 2.2 million in Q4 2021 to the holders of the preference shares. Refer to Note 13 for more information about the preference shares.

The Group has not acquired any of its own shares in the interim period ending 31 December 2021.

## Note 10 | Earnings per share

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 and the sum of the not recognised cost portion of the options.

The Company has issued warrants for 5,925,000 common shares, and has in addition a share option plan for 960,000 common shares. The warrants represent contingently issuable shares.

Neither the warrants nor the options affect the basic or diluted number of shares in 2020 or 2021, as the terms of execution have not occurred during the years and the share price is below the level set in the warrant agreement.

The warrants and share option plan may have dilutive effects in later periods.

| USD thousands | Q4 21 | Q4 20 | YTD 21 | FY 20 |
|---|---|---|---|---|
| Profit/(loss) due to owners of the parent | 27,634 | 107,738 | 74,383 | 143,377 |
| Adjustment for dividends on preference shares | (2,201) | (2,090) | (8,629) | (8,213) |
| **Profit/(loss) for the period due to holders of common shares** | **25,432** | **105,648** | **65,754** | **135,164** |
| Adjustment related to warrants and share option plan | - | | - | - |
| **Diluted profit/(loss) for the period due to the holders of common shares** | **25,432** | **105,648** | **65,754** | **135,164** |

| | Q4 21 | Q4 20 | YTD 21 | FY 20 |
|---|---|---|---|---|
| Weighted average number of common shares in issue | 236,783,202 | 236,783,202 | 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 | 236,783,202 | 236,783,202 |

| | Q4 21 | Q4 20 | YTD 21 | FY 20 |
|---|---|---|---|---|
| Basic earnings per share | 0.11 | 0.45 | 0.28 | 0.57 |
| Diluted earnings per share | 0.11 | 0.45 | 0.28 | 0.57 |

# Note 11 | Interest-bearing borrowings

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Non-current | 875,352 | 695,792 |
| Current | 161,058 | 515,799 |
| **Total** | **1,036,410** | **1,211,591** |

**Movements in non-current borrowings are analysed as follows:**

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Carrying amount as at 1 January | 695,792 | 1,173,882 |
| **Cash flows:** | | |
| New bank loan | - | 25,000 |
| Paid transaction costs related to amendments and new loan | (2,133) | - |
| **Non-cash flows:** | | |
| Reclassified from / (to) current borrowings | 179,182 | (508,226) |
| Change in transaction cost, unamortised | 2,512 | 5,136 |
| **Carrying amount as at end of period** | **875,352** | **695,792** |

**Movements in current borrowings are analysed as follows:**

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Carrying amount as at 1 January | 515,799 | 216,581 |
| **Cash flows:** | | |
| Repayment bank loan | (176,211) | (208,211) |
| **Non-cash flows:** | | |
| Reclassified from / (to) non-current borrowings | (179,182) | 508,226 |
| Change in transaction cost, unamortised | 769 | 164 |
| Change in accrued interest cost | (118) | (960) |
| **Carrying amount as at end of period** | **161,058** | **515,799** |

# Note 11 | Interest-bearing borrowings - cont.

### Repayment schedule for interest-bearing borrowings

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

| USD thousands | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Maturity within 3 months | 26,053 | 21,053 |
| Maturity between 3 and 6 months | 52,053 | 67,053 |
| Maturity between 6 and 9 months | 26,053 | 21,053 |
| Maturity between 9 months and 1 year | 52,053 | 402,053 |
| Maturity between 1 and 2 years | 445,816 | 84,211 |
| Maturity between 2 and 3 years | 440,869 | 263,816 |
| Maturity between 3 and 4 years | - | 358,826 |
| Maturity between 4 and 5 years | - | - |
| Maturity beyond 5 years | - | - |
| **Total contractual amounts** | **1,042,896** | **1,218,063** |

### Refinancing

30 June 2021, the Group entered into agreements for a refinancing related to its 2021 debt maturities, as further described below.

This refinancing was accounted for as modifications of the original financial liabilities and the carrying amounts were recalculated in accordance with IFRS 9, resulting in a net modification gain being recognised as finance cost in YTD 2021.

### The Odfjell Rig III Ltd. facility

The Deepsea Aberdeen facility, with USD 211 million outstanding as at 30 June 2021 across two export credit tranches and one commercial tranche, was extended on the existing terms. The final maturity was adjusted to ultimo May 2024. The outstanding amount at maturity will be USD 55 million.

### The Odfjell Drilling Services Ltd. facility

The Odfjell Drilling Services Ltd facility with USD 170 million outstanding as at 30 June 2021 was extended to ultimo June 2023. USD 20 million, repayable in November 2021 prior to amendment, was repaid 2 July 2021. The remaining facility will be repaid by quarterly instalments of USD 5 million, with the first repayment due in February 2022. The applicable margin is 400 basis points.

Refer to Note 4 for further information regarding liquidity risk.

### Available drawing facilities

The group has no available undrawn facilities as per 31 December 2021.

### Covenants

The Group is compliant with all financial covenants as at 31 December 2021.

## Note 12 | Contingencies

In 2018 the company issued warrants for 5,925,000 common shares. Refer to annual report for the year ended 31 December 2020, Note 24, for further description. There have been no changes to the warrant agreements in 2021. Warrant liabilities are measured at fair value, see Note 4 above.

As reported in the annual report for the year ended 31 December 2020, Note 28, a Group subsidiary is subject to challenges by HM Revenue and Customs ("HMRC") on the historical application of National Insurance Contributions ("NICs") to workers in the UK Continental Shelf. 1 October 2021, a decision was issued by HMRC against Odfjell Drilling (UK) Ltd ("OD UK") in respect of the historic application of NICs. OD UK has appealed against the decision and no payment has been made to HMRC pending the outcome of the first level appeal. A final verdict is not expected in the short to medium term. Management, taking into consideration advice from independent legal and tax specialists, believes that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and accordingly, no provision has been recognised. The potential exposure to OD UK in relation to NICs and interest should it be unsuccessful in defending its position is approximately USD 30 million.

There are no other material contingencies to be disclosed as per 31 December 2021.

## Note 13 | Equity & shareholder information

| Listed shares | No. of shares | Nominal value | Share capital USD thousands |
|---|---|---|---|
| Common shares issued as at 31 December 2021 | 236,783,202 | USD 0.01 | 2,368 |

| Preference shares | | | |
|---|---|---|---|
| Total issued preference shares as at 31 December 2021 | 16,123,125 | USD 0.01 | 161 |

**Preferred payment in kind dividend**

At 30 June 2021, and at 31 December 2021, preferred payment in kind dividend of USD 2.1 million, and USD 2.2 million respectively, was capitalised, increasing the accrued preference capital balance to USD 89.5 million.

There are no changes in issued shares or preference shares in 2021.

| Largest common shareholders at 31 December 2021 | Account type | Holding | % of shares |
|---|---|---|---|
| Odfjell Partners Ltd. | Ordinary | 142,847,791 | 60.33% |
| J.P.Morgan Securities PLC | Nominee | 8,930,601 | 3.77% |
| The Bank of New York Mellon SA/NV | Nominee | 7,451,851 | 3.15% |
| UBS AG London Branch | Ordinary | 5,133,589 | 2.17% |
| BNP Paribas Securities Services | Nominee | 3,890,397 | 1.64% |
| Brown Brothers Harriman & Co. | Nominee | 3,848,024 | 1.63% |
| J.P.Morgan Securities PLC | Nominee | 3,139,495 | 1.33% |
| State Street Bank and Trust Co. | Nominee | 2,469,256 | 1.04% |
| State Street Bank and Trust Co. | Nominee | 2,167,690 | 0.92% |
| Citibank N.A. | Nominee | 2,072,126 | 0.88% |
| Brown Brothers Harriman & Co. | Nominee | 1,988,000 | 0.84% |
| Cape Invest AS | Ordinary | 1,837,000 | 0.78% |
| Brown Brothers Harriman & Co. | Nominee | 1,742,518 | 0.74% |
| Nordea Bank Abp | Nominee | 1,200,000 | 0.51% |
| The Bank of New York Mellon SA/NV | Nominee | 1,148,614 | 0.49% |
| Goldman Sachs International Equity | Ordinary | 1,106,572 | 0.47% |
| Nordnet Livsforsikring AS | Ordinary | 1,082,120 | 0.46% |
| Ulsmo Finans AS | Ordinary | 905,463 | 0.38% |
| Goldman Sachs International | Nominee | 814,450 | 0.34% |
| Brown Brothers Harriman & Co. | Nominee | 789,256 | 0.33% |
| **Total 20 largest common shareholders** | | **194,564,813** | **82.17%** |
| Other common shareholders | | 42,218,389 | 17.83% |
| **Total common shareholders** | | **236,783,202** | **100.00%** |

## Note 14 | Net financial items

| USD thousands | Note | Q4 21 | Q4 20 | YTD 21 | FY 20 |
|---|---|---|---|---|---|
| Interest income | | 22 | (21) | 137 | 635 |
| Interest expense lease liabilities | 7 | (654) | (608) | (2,566) | (2,396) |
| Other interest expenses | | (11,065) | (13,716) | (47,476) | (64,145) |
| Other borrowing expenses (*) | | (1,619) | (1,355) | (3,281) | (5,300) |
| Change in fair value of derivatives (**) | | 2,926 | (1,168) | 8,731 | 4,440 |
| Net currency gain/(loss) | | 566 | (2,696) | 1,184 | (2,830) |
| Other financial items | | (263) | (462) | (98) | (1,202) |
| **Net financial items** | | **(10,087)** | **(20,026)** | **(43,370)** | **(70,798)** |

(*) Including recognised modification gain and loss related to the extension and amendment to the Odfjell Rig III Ltd. facility and the Odfjell Drilling Services Ltd. facility, as a result of recalculating amortised cost according to IFRS 9.

(**) Including change in fair value of warrant liabilities.

## Note 15 | Related-party transactions

Odfjell Drilling Ltd., is controlled by Odfjell Partners Ltd., which owns 60.33% 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 2021.

Thomas Marsoner (Director) controls 20,000 (0.01%) of the common shares in the company as per 31 December 2021.

Simen Lieungh (CEO, Odfjell Drilling AS) controls 104,590 (0.04%) of the common shares in the company as per 31 December 2021.

There are no changes in the long term share option programme with Simen Lieungh (CEO, Odfjell Drilling AS) in 2021.

The Group have lease agreements with the related party Odfjell Land AS (previously called Kokstad Holding AS, related to main shareholder). Reported lease liability to Kokstad Holding AS as at 31 December 2021 is USD 39 million, while payments in Q4 2021 and YTD 2021 amount to USD 1.5 million and USD 6 million respectively.

There are no material changes in related party transactions in 2021.

# Note 16 - Important events occurring after the reporting period

### Contemplated spin off of Odfjell Technology in 2022

On 31 January 2022 Odfjell Drilling Ltd announced that it is contemplating spinning off its Well Services and Energy segments (the "Spin Off") into a newly established company, Odfjell Technology Ltd. ("OTL" or "Odfjell Technology"), and to list the shares in OTL on the Oslo Stock Exchange (the "Listing").

The Spin Off businesses comprise of the group's current Well Services and Energy segments. The Energy segment consists of platform drilling and engineering & projects, as well as the ownership in Odfjell Oceanwind. In addition the Spin Off will provide business support services, mainly to companies in the Odfjell Drilling Group.

Prior to executing the Spin Off, an internal reorganisation will be carried out and the relevant Well Services and Energy companies will become subsidiaries of OTL.

In connection with the Spin Off, Odfjell Technology on 4 February 2022 successfully priced NOK 1.1bn in senior secured bonds through a private placement. The bonds will mature in February 2026 and bear interest of 3 months Nibor plus 700 basis points. The net proceeds from the bond issue will, together with a new USD 25 million super senior revolving credit facility ("RCF") at 3 months Libor + 375 basis points, be used to carry out the internal reorganisation and to repay the existing USD 150 million credit facility related to the spin off business.

The shares in Odfjell Technology, in its entirety, are expected to be distributed to the shareholders in the Company. The ratio for such distribution is expected to be 6:1, i.e. that 6 shares in the Company will give the holder 1 share in OTL rounded downwards to the closest whole share in OTL. The shares in OTL are expected to be admitted for trading on the Oslo Stock Exchange in Q1 2022 subject to certain conditions. These conditions include the Oslo Stock Exchange approving the Listing, and Odfjell Technology satisfying the relevant conditions for such Listing (including the publication of a listing prospectus to be approved by the Norwegian Financial Supervisory Authority). It is not contemplated to carry out any public offering of shares in Odfjell Technology in connection with the Listing.

As at 31 December 2021, the criteria for classifying the Spin Off as held for distribution to owners were not met. However, should the Spin Off be completed, it will be considered as discontinued operations in Odfjell Drilling's financial reporting going forward. No assurance can currently be given that the spin-off and the Listing will be completed.

### Aker BP extended work for Deepsea Nordkapp

On 15 February 2022, Aker BP exercised a scope based option for Deepsea Nordkapp under the Contract entered into between the parties in April 2018. The option covers the time necessary to complete four Kobra East Gekko (KEG) development wells. Operations on the KEG development wells are expected to commence in January 2023 with a combined duration of approximately 430 days.

### Equinor extends platform drilling contracts on Johan Sverdrup and Heidrun

On 16 February 2022, Equinor exercised a 2 year option on the platform drilling contracts for Heidrun and Johan Sverdrup Drilling Platform. The contract work includes drilling operations, work-over campaigns, P&A activities and all preventative and corrective maintenance on the installations Heidrun and Johan Sverdrup. Following this option, the contract period is firm until Q4 2024. This option is the first of three options of two years each.

### Management services for West Linus

On 21 February 2022, Odfjell Drilling agreed with SFL to provide management services for the harsh environment jack-up drilling rig West Linus. The agreement is based on terms and conditions customary for this type of agreements. The rig is employed on a long-term drilling contract with ConocoPhillips Scandinavia AS in the North Sea until the fourth quarter of 2028. Odfjell Drilling will take over as manager of the rig as soon as regulatory approvals such as change of duty holder under the Acknowledgement of Compliance is approved by Norwegian authorities. Odfjell Drilling expects this to be in place no later than 1 October 2022.

There have been no other events after the balance sheet date with material effect on the quarterly financial statements ended 31 December 2021.