



# ODFJELL DRILLING

## Q2 2019 Presentation

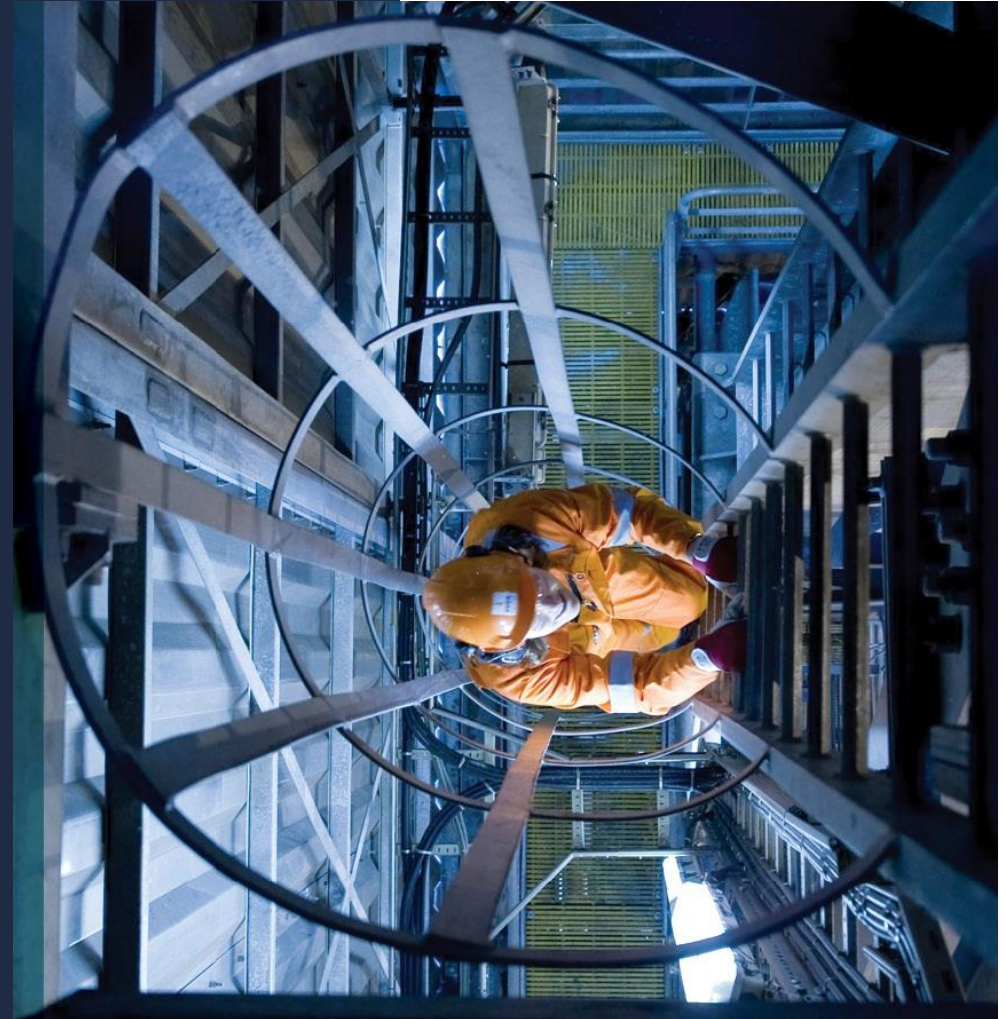


**ODFJELL DRILLING**  
- for Decades

# Contents

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- Highlights and material events
- Segment reporting
- Financial information
- Summary



## Q2 19 - key summary

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- **Commencement of operations for Deepsea Nordkapp**
- **USD 775 million refinancing completed**
- **More work for Deepsea Stavanger in South Africa**
- **Strong operational performance across the MODU fleet**
- **Continued strong performance in Drilling & Technology**
- **Slightly better outlook for Well Services**



# Highlights and material events in/after Q2 2019

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## *USD 775 million refinancing*

Odfjell Drilling, did on 28 May 2019, receive firm bank commitments for a refinancing related to its 2019 debt maturities.

The former facility covering Deepsea Atlantic and Deepsea Stavanger, with USD 400 million outstanding, was replaced by a new senior facility of USD 425 million. In addition, a junior facility of USD 100 million was entered into. The senior facility will be repaid by quarterly instalments of USD 12.5 million, first time six months after drawdown. The junior facility has no fixed instalments, but shall on certain conditions be partly repaid annually from Q3 2021 by free and available liquidity of the Odfjell Drilling Group above USD 175 million. Interest is payable at LIBOR plus an overall margin depending on the level of net debt to EBITDA for the Odfjell Drilling group, resulting in an estimated combined average margin of around 400 bps over LIBOR during the tenor of the facilities. The tenor of both facilities is 5 years.

The former Drilling Services facility, with USD 250 million outstanding, was amended and extended to November 2021. The facility is divided in two tranches; Tranche A of USD 150 million which is non-amortising, and Tranche B of USD 100 million with semi-annual instalments of USD 20 million, first time in November. Interest is payable at LIBOR plus an average margin of 470 bps.

The final documentation for the USD 775 million refinancing was signed on 26 June 2019 and drawdown was made on 28 June 2019. USD 40 million was utilised under the junior facility, whereas the remaining USD 60 million will be utilised in two separate tranches latest by 31 March 2020.

# Highlights and material events in/after Q2 2019 cont.

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## *Commencement of operation for Deepsea Nordkapp*

Deepsea Nordkapp commenced its 2+1+1 year contract with Aker BP on 10 May 2019 after a successful delivery from Samsung Heavy Industries in Korea and pre operational preparations at CCB shipyard outside Bergen, Norway.

## *Deepsea Stavanger secured more work for Total in South Africa*

Odfjell Drilling, did on 11 July 2019, sign a firm drilling contract with oil major Total for drilling offshore South Africa with the 6th generation semi-submersible, Deepsea Stavanger.

The contract value including compensation for mobilization and demobilization periods is estimated as being USD 145 - 190 million plus incentives. The company expects the drilling program to take 180-280 days. Mobilization to South Africa is expected to start in Q1 2020.

# Mobile Offshore drilling Units (MODU)

## - Strong operations with high utilization













### Q2 2019 Financial Utilization

<b>Financial Utilization<sup>1</sup></b>	<b>Q2 19</b>	<b>Q2 18</b>	<b>YTD 19</b>	<b>YTD 18</b>	<b>FY 18</b>
Deepsea Stavanger	97,8 %	98,6 %	98,5 %	98,6 %	98,7 %
Deepsea Atlantic	98,2 %	99,6 %	97,6 %	99,2 %	98,4 %
Deepsea Bergen	99,5 %	99,0 %	99,1 %	99,4 %	98,2 %
Deepsea Aberdeen	98,3 %	99,1 %	98,1 %	98,0 %	98,4 %
Deepsea Nordkapp	99,0 %	N/A	99,0 %	N/A	N/A

- 1) Financial Utilisation is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month. Financial Utilization, by definition, does not take into account periods of non-utilisation when the units are not under contract.

# Mobile Offshore drilling Units (MODU)

## - Contract status and day rates

Drilling unit	Year built	Location / operator	Day rate (KUSD/day)*	Contract status
 Deepsea Bergen (3G, MW, HE)	1983	Norway / UK / Norway Equinor/Ithaca/OMV/MOL	175/100/200/ 180	
 Deepsea Atlantic (6G, UDW, HE)	2009	Norway Equinor	295/296	
 Deepsea Stavanger (6G, UDW, HE)	2010	Norway/ South Africa Aker BP/ Total	279/438	
 Deepsea Aberdeen (6G, UDW, HE)	2014	UK BP Exploration	431	
 Deepsea Nordkapp (6G, DW, HE)	2019	Norway Aker BP	300**	
 Deepsea Yantai (6G, MW, HE)	2019	Norway Neptun	Managed unit	

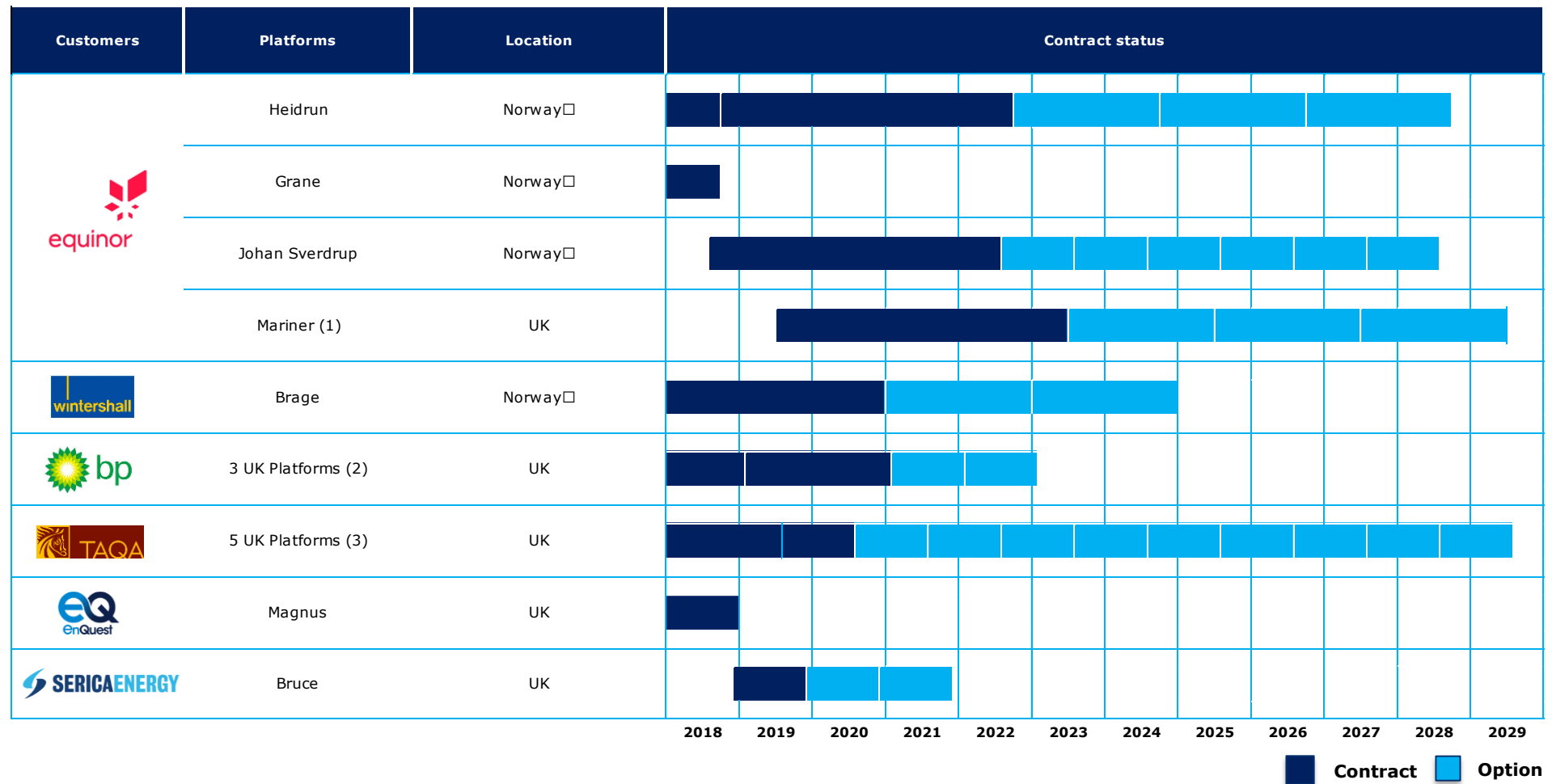
Contract
  Option
  Continued optionality under frame agreement
  Contract Preparations/ Mobilization

**Firm MODU contract backlog at 30 June 2019 of USD 1.0 billion  
with additional priced options valued at USD 0.2 billion**

\* Rates may include mix of currencies and fluctuate based on exchange rates.  
 \*\* Deepsea Nordkapp rate shall be minimum USD 325,000 per day on average. Rate for first 12 months set at USD 300,000 per day

# Platform Drilling and Technology

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



**Firm contract backlog of USD 0.3 billion at 30 June 2019**  
**Value of priced optional periods of USD 0.8 billion**

- 1) Please note that the Mariner contract contains the option to operate the Bressay field
- 2) Clair, Andrew, Clair Ridge
- 3) Harding, Eider, Tern Alpha, Cormorant Alpha, North Cormorant



# Well Services

## - Pricing pressure offset by cost efficiency measures

### Product lines

#### Tubular Running Services



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

#### Casing While Drilling



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

#### Well Intervention Services



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

#### Drill Tool Rental Services



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

### Odfjell Well Services in numbers

Experience  
**35+**  
years experience

Services from  
**14+**  
bases

**500+**  
employees

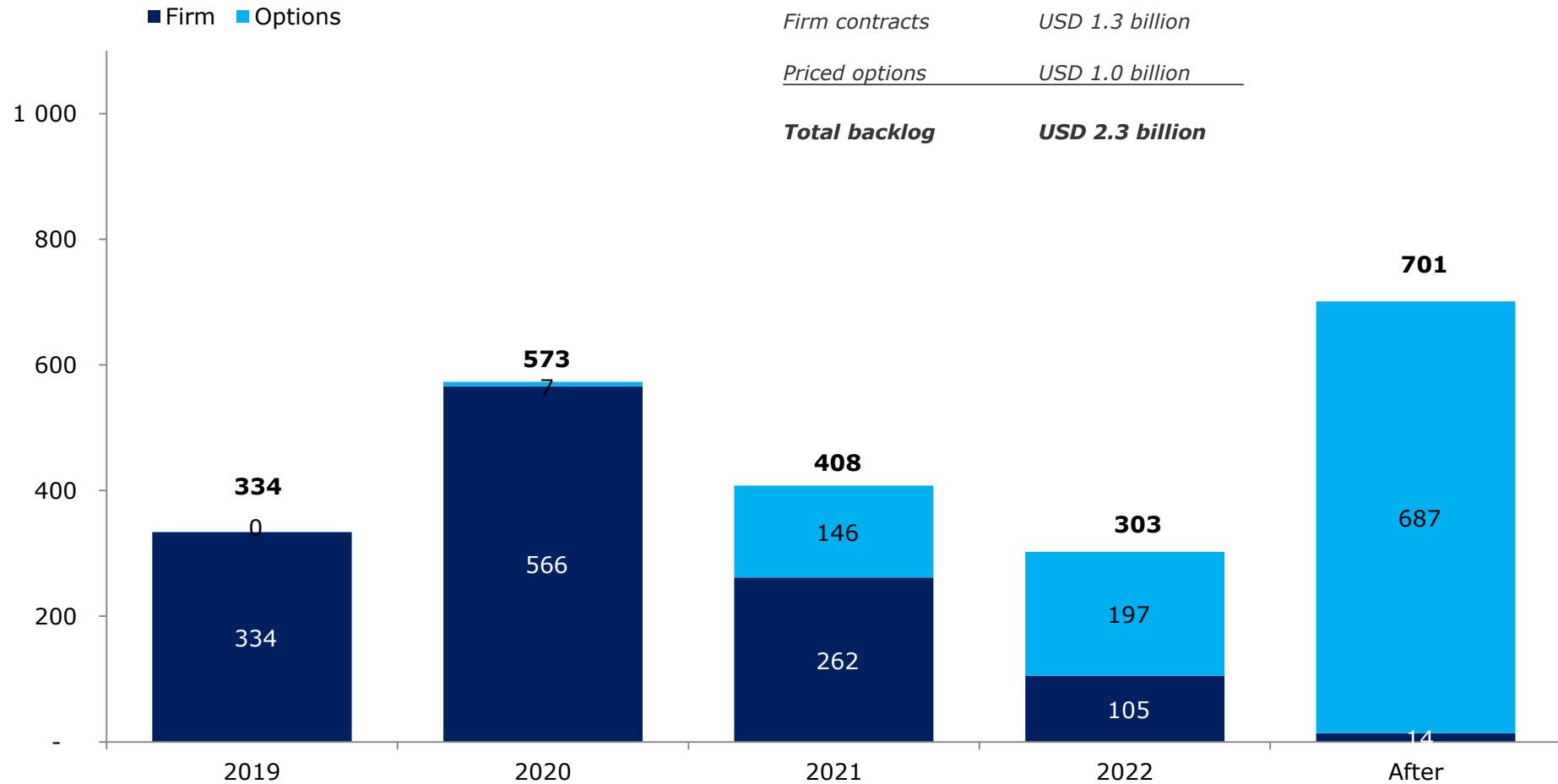
Operations in  
**20+**  
countries



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# Earnings visibility through USD 2.3 billion order backlog

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



*Firm contracts*      *USD 1.3 billion*  
*Priced options*      *USD 1.0 billion*  


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**Total backlog**      **USD 2.3 billion**

1) Estimates at 30 June 2019. Revenue from frame agreements and call-off contracts in Well Services and revenue from Technology and MODU Management is not included in the backlog.

# Market outlook

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## General

- Successful efficiency programs carried out by E&P and service industry
- Uncertain world economy outlook
  - => **Increasing E&P activity, but pace dependent on overall world economy**

## MODU

- Still significant oversupply in the global rig market
- Harsh environment markets are closer to supply/demand balance
- Preference by E&P companies for high-spec and efficient 6 gen units
- Substantial scrapping of mature units
  - => **Increasing demand for ODL fleet**

## Well Services

- Still over-supply of available resources and equipment
- Observe an increased tender activity in the European and Middle East markets
- Well Services has maintained its low capital expenditures to enhance utilisation of the existing equipment base
- Turning point in activity level has passed
  - => **Time-lag effect on bottom line improvement**

## Platform Drilling & Technology

- Low volatility in the platform drilling market
- North Sea modification market still at low level, but likely to increase in the medium to long term
  - => **Stable market conditions and scale effects to be materialized**

# Financial information

# Group summary financials

## Condensed consolidated income statement

<b>P&amp;L - (USD million)</b>	<b>Q2 19</b>	<b>Q2 18</b>	<b>YTD 19</b>	<b>YTD 18</b>	<b>FY 18</b>
<b>Operating revenue</b>	<b>186</b>	<b>175</b>	<b>388</b>	<b>350</b>	<b>698</b>
Other gains/losses	0	1	0	1	2
Personnel expenses	-78	-76	-152	-160	-304
Other operating expenses	-36	-34	-91	-69	-138
<b>EBITDA</b>	<b>72</b>	<b>66</b>	<b>145</b>	<b>122</b>	<b>259</b>
Depreciation	-45	-40	-87	-81	-161
<b>Operating profit (EBIT)</b>	<b>27</b>	<b>26</b>	<b>58</b>	<b>42</b>	<b>99</b>
Net financial items	-27	-18	-47	-40	-67
<b>Profit/(loss) before tax</b>	<b>1</b>	<b>8</b>	<b>11</b>	<b>1</b>	<b>31</b>
Income taxes	-1	-1	-1	-1	-4
<b>Profit/(loss) for the period</b>	<b>-0</b>	<b>7</b>	<b>10</b>	<b>0</b>	<b>27</b>

# Segment reporting - MODU financials

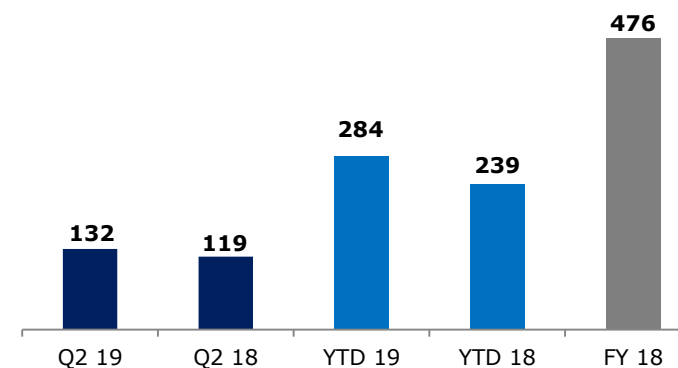
## MODU

Condensed P&L - (USD million)	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
<b>Operating revenue</b>	<b>132</b>	<b>119</b>	<b>284</b>	<b>239</b>	<b>476</b>
<b>EBITDA</b>	<b>63</b>	<b>55</b>	<b>130</b>	<b>107</b>	<b>226</b>
Depreciation and impairments	-37	-33	-71	-66	-133
<b>EBIT</b>	<b>26</b>	<b>22</b>	<b>60</b>	<b>41</b>	<b>94</b>
Book value rigs	2 208	1 865	2 208	1 865	1 855
EBITDA-margin	47,7 %	45,7 %	45,9 %	45,0 %	47,5 %
EBIT-margin	19,8 %	18,1 %	21,0 %	17,2 %	19,6 %
Share of group revenue <sup>1</sup>	67,6 %	66,5 %	69,9 %	66,1 %	65,5 %
Share of group EBITDA <sup>1</sup>	85,6 %	88,1 %	88,3 %	88,1 %	85,1 %
Share of group EBIT <sup>1</sup>	83,0 %	95,0 %	90,6 %	95,4 %	85,9 %

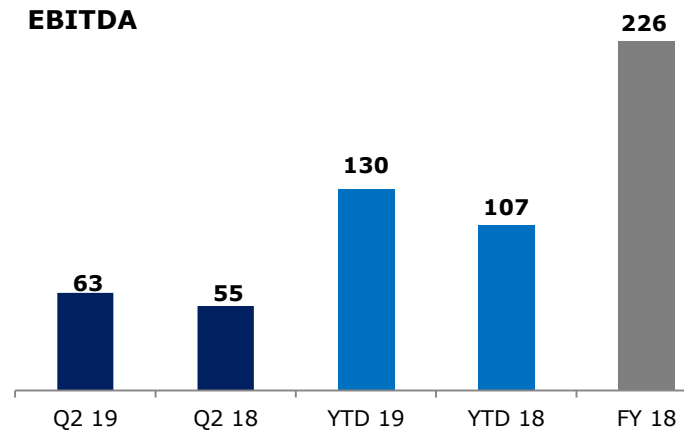
1) Before group eliminations and corporate overheads

## Key Financials (USD million)

### Revenues



### EBITDA



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# Segment reporting

## - Drilling & Technology financials

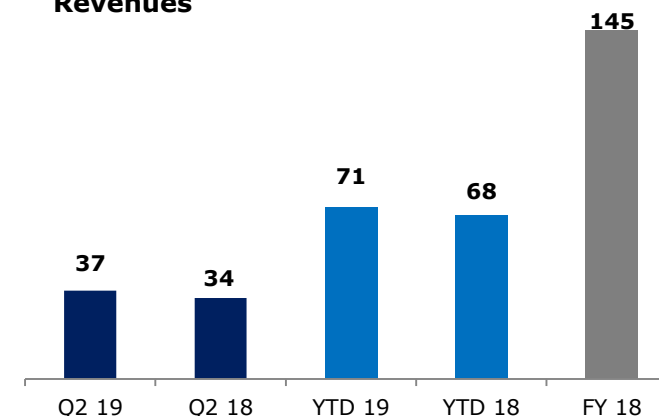
### Drilling & Technology

Condensed P&L - (USD million)	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
<b>Operating revenue</b>	<b>37</b>	<b>34</b>	<b>71</b>	<b>68</b>	<b>145</b>
<b>EBITDA</b>	<b>4</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>14</b>
Depreciation and impairments	-0	-0	-0	-0	-0
<b>EBIT</b>	<b>4</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>13</b>
EBITDA-margin	10,6 %	1,7 %	8,4 %	2,0 %	9,4 %
EBIT-margin	10,6 %	1,7 %	8,3 %	2,0 %	9,3 %
Share of group revenue <sup>1</sup>	18,7 %	18,7 %	17,5 %	18,8 %	19,9 %
Share of group EBITDA <sup>1</sup>	5,3 %	0,9 %	4,0 %	1,1 %	5,1 %
Share of group EBIT <sup>1</sup>	12,3 %	2,5 %	9,0 %	3,1 %	12,4 %

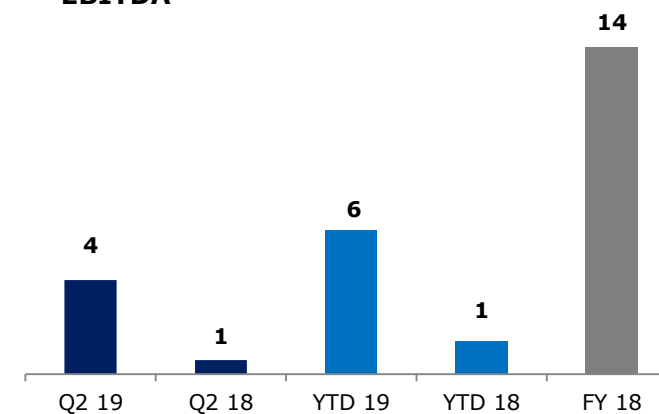
1) Before group eliminations and corporate overheads

### Key Financials (USD million)

#### Revenues



#### EBITDA



# Segment reporting

## - Well Services financials

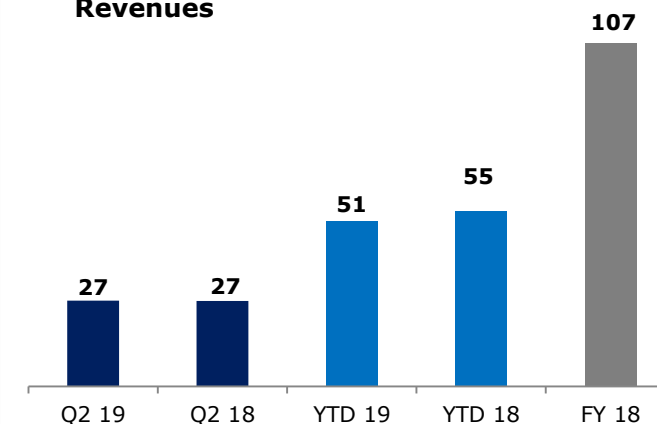
### Well Services

Condensed P&L - (USD million)	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
<b>Operating revenue</b>	<b>27</b>	<b>27</b>	<b>51</b>	<b>55</b>	<b>107</b>
<b>EBITDA</b>	<b>7</b>	<b>7</b>	<b>11</b>	<b>13</b>	<b>26</b>
Depreciation and impairments	-5	-6	-11	-12	-24
<b>EBIT</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>
Book value of equipment	69	76	69	76	71
Cost price for equipment in use	359	373	359	373	352
EBITDA-margin	25,1 %	25,5 %	22,0 %	24,0 %	24,3 %
EBIT-margin	5,6 %	2,1 %	0,4 %	1,2 %	1,7 %
Share of group revenue <sup>1</sup>	13,7 %	14,8 %	12,6 %	15,1 %	14,7 %
Share of group EBITDA <sup>1</sup>	9,1 %	10,9 %	7,7 %	10,7 %	9,8 %
Share of group EBIT <sup>1</sup>	4,7 %	2,5 %	0,3 %	1,5 %	1,7 %

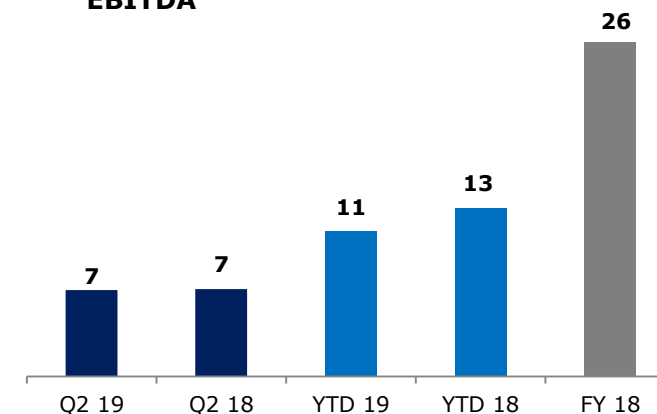
1) Before group eliminations and corporate overheads

### Key Financials (USD million)

#### Revenues



#### EBITDA





# Group

## - Eliminations & Reconciliation

### Group – Eliminations & Reconciliation

<b>(USD million)</b>	<b>Q2 19</b>	<b>Q2 18</b>	<b>YTD 19</b>	<b>YTD 18</b>	<b>FY 18</b>
Elimination internal operating revenue	-9	-5	-19	-11	-29
Corporate overhead EBITDA	-4	4	-7	-0	-7
Corporate overhead EBIT	-5	3	-9	-2	-11
<b><i>IFRS adjustments and reconciliations</i></b>					
<b>(USD million)</b>	<b>Q2 19</b>	<b>Q2 18</b>	<b>YTD 19</b>	<b>YTD 18</b>	<b>FY 18</b>
IFRS adjustments affecting EBITDA	2	0	4	0	1
<b>EBITDA - Consolidated Group</b>	<b>72</b>	<b>66</b>	<b>145</b>	<b>122</b>	<b>259</b>
IFRS adjustments affecting depreciation and impairment	-2	-	-3	-	-
<b>EBIT - Consolidated Group</b>	<b>27</b>	<b>26</b>	<b>58</b>	<b>41</b>	<b>99</b>
Net financial items	-27	-18	-47	-40	-67
<b>Group profit before tax - Consolidated Group</b>	<b>1</b>	<b>8</b>	<b>11</b>	<b>1</b>	<b>31</b>

# Summary statement of financial position

## Group statement of financial position

Assets (USDm)	30.06.19	30.06.18	31.12.18
Deferred tax asset	1	3	1
Intangible assets	30	33	30
Property, plant and equipment	2 325	1 943	1 928
Financial fixed assets	0	1	1
<b>Total non-current assets</b>	<b>2 356</b>	<b>1 980</b>	<b>1 960</b>
Trade receivables	144	125	103
Contract assets	5	2	-
Other current assets	14	22	39
Cash and cash equivalents	179	181	175
<b>Total current assets</b>	<b>341</b>	<b>330</b>	<b>316</b>
<b>Total assets</b>	<b>2 697</b>	<b>2 310</b>	<b>2 276</b>

- Group's gross interest bearing debt was USD 1,435 million (net of capitalized financing fees) at 30 June 2019.
- USD 179 million in cash and cash equivalents at 30 June 2019.
- Equity-ratio of 38% at 30 June 2019.

Equity and liabilities (USDm)	30.06.19	30.06.18	31.12.18
Total paid-in capital	565	565	565
Other equity	470	440	459
<b>Total equity</b>	<b>1 035</b>	<b>1 005</b>	<b>1 024</b>
Non-current interest-bearing borrowings	1 242	745	312
Non-current lease liabilities	37	-	-
Post-employment benefits	9	11	10
Non-current contract liabilities	1	5	0
Other non-current liabilities	0	0	-
<b>Total non-current liabilities</b>	<b>1 289</b>	<b>761</b>	<b>322</b>
Current interest-bearing borrowings	193	422	783
Current lease liabilities	8	-	-
Contract liabilities	20	22	28
Trade payables	53	37	42
Other current liabilities	99	63	78
<b>Total current liabilities</b>	<b>373</b>	<b>544</b>	<b>931</b>
<b>Total liabilities</b>	<b>1 663</b>	<b>1 305</b>	<b>1 253</b>
<b>Total equity and liabilities</b>	<b>2 697</b>	<b>2 310</b>	<b>2 276</b>

# Summary statement of cash flow

## Group statement of cash flow

Cash Flow - (USDm)	Q2 19	Q2 18	YTD 19	YTD 18	FY 18
<b>Profit before income tax</b>	<b>1</b>	<b>8</b>	<b>11</b>	<b>1</b>	<b>31</b>
Adjustment for provisions and other non-cash elements	70	48	134	109	212
Change in working capital	12	11	-11	14	44
<b>Cash from operations</b>	<b>83</b>	<b>66</b>	<b>135</b>	<b>124</b>	<b>288</b>
Interest paid	-22	-18	-38	-32	-66
Income tax paid	-0	-0	-1	-0	-1
<b>Net cash from operations</b>	<b>60</b>	<b>49</b>	<b>96</b>	<b>92</b>	<b>221</b>
Purchase of property, plant and equipment	-58	-236	-369	-242	-306
Other cash flows from investment activities	-3	1	-3	1	12
<b>Net cash used in investing activities</b>	<b>-62</b>	<b>-235</b>	<b>-372</b>	<b>-240</b>	<b>-293</b>
Net change in debt	-9	-58	287	-70	-145
Other financing	-1	236	-3	236	234
<b>Net cash from financing activities</b>	<b>-10</b>	<b>178</b>	<b>284</b>	<b>166</b>	<b>89</b>
<b>Net change in cash and cash equivalents</b>	<b>-12</b>	<b>-8</b>	<b>8</b>	<b>17</b>	<b>16</b>
Cash and cash equivalents at period start	191	194	175	166	166
FX gains/(losses) on cash and cash equivalents	-0	-5	-3	-2	-7
<b>Cash and cash equivalents at period end</b>	<b>179</b>	<b>181</b>	<b>179</b>	<b>181</b>	<b>175</b>

# Summary Q2 2019

## **MODU:**

- Attractive harsh environment assets, strong backlog and healthy outlook

## **Drilling & Technology:**

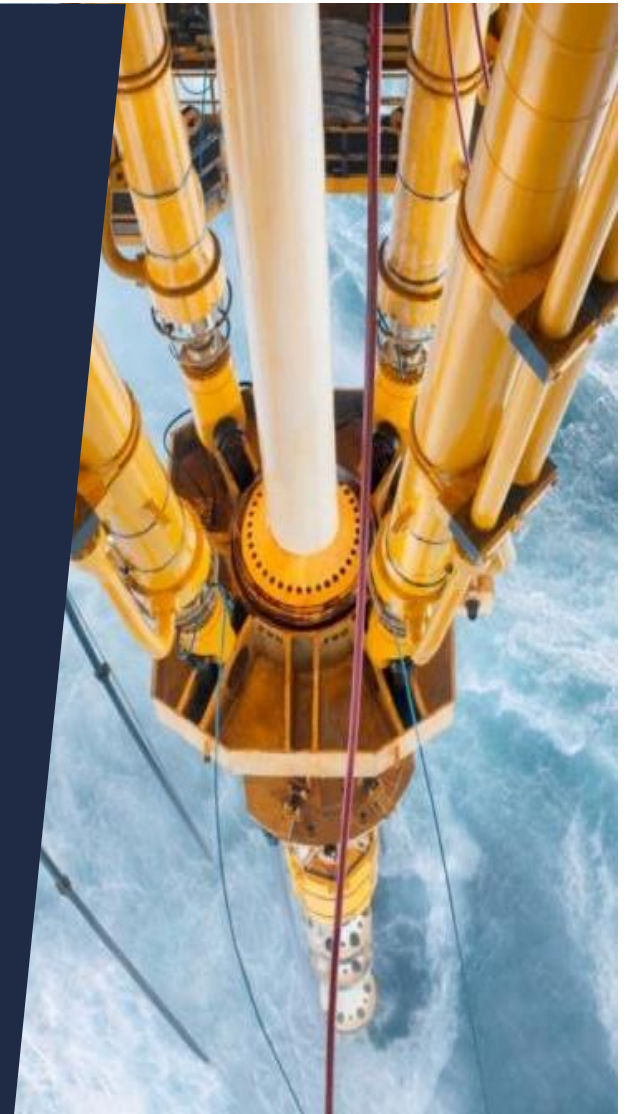
- Improved financial performance and loyal client portfolio

## **Well Services:**

- After a long downturn, slightly better outlook for the service market

## **Key Financials:**

- Earnings visibility through USD 2.3 billion order backlog
- Solid cash position in combination with undrawn bank facilities
- No short term refinancing need



**CEO Odfjell Drilling AS**

Simen Lieungh

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Atle Sæbø

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**Next event:**

Q3 2019 results tentatively scheduled to be published 28 November 2019

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



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