



## **Odfjell Drilling Ltd.**

**Report for the 2nd quarter and 1<sup>st</sup> half year of 2016**

## Key figures for the Group

All figures in USD million

| Key figures Odfjell Drilling Ltd. Group | Restated |       |        |        |       |
|---|----------|-------|--------|--------|-------|
|   | Q2 16    | Q2 15 | YTD 16 | YTD 15 | FY 15 |
| Operating revenue.....                  | 183      | 286   | 341    | 526    | 927   |
| EBITDA.....                             | 73       | (155) | 117    | (82)   | 78    |
| EBIT.....                               | 31       | (202) | 36     | (166)  | (242) |
| Net (loss) profit.....                  | 9        | (224) | (10)   | (206)  | (319) |
| EBITDA margin.....                      | 40%      | (54%) | 34%    | (16%)  | 8 %   |
| Total assets.....                       |          |       | 2 453  | 2 852  | 2 617 |
| Net interest bearing debt.....          |          |       | 1 314  | 1 494  | 1 395 |
| Equity.....                             |          |       | 783    | 900    | 792   |
| Equity ratio.....                       |          |       | 32 %   | 32 %   | 30 %  |

## Highlights Q2 2016

### Odfjell Drilling Ltd. Group

- Operating revenue of USD 183 million compared to USD 286 million in Q2 2015.
- EBITDA of USD 73 million compared to negative USD 155 million in Q2 2015. The Q2 2015 EBITDA was negatively impacted by the impairment write-down of the two drillships, Deepsea Metro I and Deepsea Metro II of which USD 210 million represents the Group's 40% share, and USD 35 million represent an impairment write-down of the remaining investment in Deep Sea Metro Ltd., as reported in Q2 2015.
  - EBITDA, adjusted for the loss from the impairment write-down of Deep Sea Metro Ltd., in Q2 2015 was USD 89 million.
  - EBITDA margin, adjusted for the loss from the impairment write-down of Deep Sea Metro Ltd., in Q2 2015 was 31%.
- EBITDA margin of 40% compared to adjusted EBITDA of 31% in Q2 2015.
- The Group's contract backlog is USD 3.0 billion, whereof USD 1.8 billion is firm backlog. The comparable figure at the end of Q2 2015 was USD 4.2 billion, whereof USD 2.2 billion was firm backlog.

### Mobile Offshore Drilling Units segment

- Operating revenue of USD 122 million compared to USD 202 million in Q2 2015.
- EBITDA of USD 65 million compared to USD 100 million in Q2 2015.
- EBITDA margin of 53% compared to 49% in Q2 2015.
- Deepsea Stavanger commenced its one well contract with JX Nippon in UK on 10 May 2016. The rig completed this contract on 8 July 2016.

### Drilling & Technology segment

- Operating revenue of USD 37 million compared to USD 51 million in Q2 2015.
- EBITDA loss of USD 0.2 million compared to an EBITDA loss of USD 3 million in Q2 2015.
- Negative EBITDA margin of 1% compared to negative EBITDA margin of 5% in Q2 2015.

## Well Services segment

- Operating revenue of USD 29 million compared to USD 38 million in Q2 2015.
- EBITDA of USD 11 million compared to USD 16 million in Q2 2015.
- EBITDA margin of 39% compared to 42% in Q2 2015.

### *Refinancing of Deepsea Atlantic and Deepsea Stavanger*

Odfjell Invest Ltd., a subsidiary of Odfjell Drilling Ltd. and holding company of the rig-owning entities of Deepsea Atlantic and Deepsea Stavanger, received on 24 August 2016 a firm offer from DNB Bank ASA, as facility agent on behalf of the lenders, to refinance the senior secured term loan facility that matures in November 2016.

The new loan facility will be of USD 525 million, the same amount as was outstanding under the existing facility as at 30 June 2016. The facility is to be repaid by quarterly installments of USD 12.5 million, first time in Q1 2017, and interest will be payable at 415 basis points above LIBOR. The facility will have a tenor of 3 years from drawdown which is scheduled for September.

Odfjell Drilling has also agreed with its lenders to amend financial covenants applicable to the Odfjell Drilling group across all its credit facilities. The group financial covenants which have been adjusted are the following:

- Leverage ratio (net debt to ebitda) of maximum 6.0x through 2016, maximum 5.5x through 2017 and maximum 5.0x thereafter;
- Equity ratio (book equity to total assets) of minimum 30%.

In addition, Odfjell Drilling Services Ltd., a subsidiary of Odfjell Drilling Ltd., has agreed with its lenders to amend its financial covenants by replacing the leverage ratio covenant applicable to the Odfjell Drilling Services group with a debt service coverage ratio (ebitda to debt service) of minimum 1.1x.

### *Impairment write-down of Deepsea Atlantic and Deepsea Stavanger as at 30 September 2015*

Following the enforcement decision by the Financial Supervisory Authority of Norway received on 24 May 2016, the mobile drilling units “Deepsea Atlantic” and “Deepsea Stavanger” have been written-down as at 30 September 2015 in the total amount of USD 158.5 million. All relevant figures have been restated from 30 September 2015 and in subsequent quarters. For further details please see note 2 of Q2 2016 Condensed Consolidated Financial Statements.

## Financial review – operations

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

### *Consolidated group financials*

#### **Profit & loss Q2 2016**

Operating revenue for Q2 2016 was USD 183 million (USD 286 million), a decrease of USD 103 million, or 36%. Operating revenue decreased this quarter due to a reduction in activity in all segments from Q2 15 to Q2 16. MODU had a reduction of USD 80 million, mainly due to Deepsea Stavanger being partly idle in

Q2 2016 and a lower day-rate than the previous year. Both Drilling & Technology and Well Services are still facing a challenging market and reduced revenue compared to Q2 2015.

EBITDA in Q2 2016 was USD 73 million (negative USD 155 million), a net increase of USD 227 million. The Q2 2015 EBITDA was negatively impacted by the impairment write-down of the two drillships, Deepsea Metro I and Deepsea Metro II of which USD 210 million represents the Group's 40% share, and USD 35 million represent an impairment write-down of the remaining investment in Deep Sea Metro Ltd., as reported in Q2 2015. EBITDA in Q2 2015, adjusted for the loss from the impairment write-down in the Deep Sea Metro Ltd. joint venture, was USD 89 million.

The EBITDA margin was 40% in Q2 2016 compared to adjusted EBITDA margin of 31% in Q2 2015. Decrease in revenues from 2015 to 2016 was offset by a reduced cost base, efficiency gains and reduced personnel expenses.

EBIT in Q2 2016 was USD 31 million (negative USD 202 million), an increase of USD 233 million. EBIT in Q2 2015, adjusted for the impairment write-down mentioned above, was USD 42 million.

Net financial expenses in Q2 2016 amounted to USD 20 million compared to USD 13 million in Q2 2015. The change is mainly due to a net currency loss in Q2 2016 compared to a net currency gain in Q2 2015. In addition there was a loss from interest rate swaps in Q2 2016 compared to a gain in Q2 2015.

In Q2 2016 the tax expense was USD 4 million, compared to USD 8 million in Q2 2015 due to lower withholding taxes. Tax expense is mainly related to profit in Norway and UK, in addition to withholding taxes in other countries.

Net profit in Q2 2016 was USD 9 million compared to a loss of USD 224 million in Q2 2015.

### **Profit & loss YTD 2016**

Operating revenue for YTD 2016 was USD 341 million (USD 526 million), a decrease of USD 185 million, or 35%. Operating revenue decreased in 2016 due to a reduction in activity in all segments from YTD 15 to YTD 16. MODU had a reduction of USD 133 million, mainly explained by the partly idle situation on the Deepsea Atlantic and the Deepsea Stavanger in 2016.

EBITDA YTD 2016 was USD 117 million (negative USD 82 million), a net increase of USD 200 million mainly due to the loss from the Deep Sea Metro Ltd. Group in 2015. The EBITDA margin was 34% YTD 2016 compared to negative 16% YTD 2015. Decrease in revenues from 2015 to 2016 was offset by a reduced cost base, efficiency gains and reduced personnel expenses.

EBIT YTD 2016 was USD 36 million (negative USD 166 million), an increase of USD 202 million mainly due to the loss from the Deep Sea Metro Ltd. Group YTD 2015.

Net financial expenses YTD 2016 amounted to USD 38 million compared to USD 24 million YTD 2015. The change is mainly due to a net currency loss YTD 2016 compared to net currency gain YTD 2015. In addition there was a loss from interest rate swaps YTD 2016 compared to a gain YTD 2015.

YTD 2016 the tax expense was USD 9 million, compared to USD 13 million YTD 2015, mainly due to lower withholding taxes. Tax expense is mainly related to profit in Norway and UK, in addition to withholding taxes in other countries.

Net loss YTD 2016 was USD 10 million compared to a loss of USD 206 million YTD 2015.

### **Balance sheet**

Total assets as at 30 June 2016 amounted to USD 2,453 million compared to USD 2,617 million as at 31 December 2015 (restated), a decrease of USD 164 million.

Equity as at 30 June 2016 amounted to USD 783 million compared to USD 792 million as at 31 December 2015 (restated); a decrease of USD 9 million.

The equity ratio is 32% as at 30 June 2016 compared to 30% at year-end 2015 (restated).

Net interest bearing debt as at 30 June 2016 amounted to USD 1,314 million compared to USD 1,395 million as at 31 December 2015, a decrease of USD 81 million, mainly due to the net repayment of interest bearing debt during the period.

Odfjell Drilling Services Ltd., a subsidiary of Odfjell Drilling Ltd., was on 15 August 2016 granted a waiver by the lenders for its non-compliance with the leverage ratio covenant as at 30 June 2016. The leverage ratio covenant will be replaced by a debt service coverage covenant hereafter. USD 326 million has in the interim been reclassified as short term debt as at 30 June 2016.

Further, Odfjell Rig II Ltd. and Odfjell Rig III Ltd., both subsidiaries of Odfjell Drilling Ltd. and also the respective owners of the mobile drilling units Deepsea Bergen and Deepsea Aberdeen, did not comply with their respective minimum value requirements as at 30 June 2016. The valuation short-fall will be repaired through scheduled installments that take place within the remedy period. No reclassifications to short term debt have been made as at 30 June 2016.

### **Cash flow**

Net cash flow from operating activities in Q2 2016 was positive at USD 32 million. During Q2 2016, net working capital increased by USD 6 million. In addition the Group paid USD 18 million in interest and USD 5 million in income taxes.

Net cash used in investing activities in Q2 2016 was USD 7 million, mainly related to capital expenditures.

USD 81 million was used for instalments on existing credit facilities in Q2 2016.

Net cash flow from operating activities YTD 2016 was positive at USD 92 million. YTD 2016 the Group paid USD 31 million in interest. Net income taxes had a positive effect of USD 21 million as a result of the positive tax court verdict in the Norwegian Supreme Court.

Net cash used in investing activities YTD 2016 was USD 12 million. USD 20 million was for capital expenditures, while USD 8 million was received as repayment of paid in capital from Deep Sea Metro Ltd.

USD 119 million was used for instalments on existing credit facilities YTD 2016.

At 30 June 2016 the cash and cash equivalents amounted to USD 166 million. There has been a total negative net change in cash and cash equivalents of USD 39 million since 31 December 2015.

## Segments

### Mobile Offshore Drilling Units (MODU)

| <i>All figures in USD million</i> |       |       |        |        | <u>Restated</u> |
|-----------------------------------|-------|-------|--------|--------|-----------------|
| Key figures MODU segment          | Q2 16 | Q2 15 | YTD 16 | YTD 15 | FY 15           |
| Operating revenue.....            | 122   | 202   | 220    | 353    | 621             |
| EBITDA.....                       | 65    | 100   | 103    | 177    | 300             |
| EBIT.....                         | 32    | 63    | 39     | 113    | 19              |
| EBITDA margin.....                | 53%   | 49%   | 47%    | 50%    | 48 %            |

Operating revenue for the MODU segment in Q2 2016 was USD 122 million (USD 202 million), a decrease of USD 80 million, or 40%. Lower revenue is explained by the Deepsea Stavanger being partly idle in Q2 2016 and partly on a lower day-rate than previous year. In addition the Deepsea Atlantic operation has reduced day-rates compared to last year and revenue for the Deepsea Aberdeen last year included mobilization fee.

EBITDA for the MODU segment in Q2 2016 was USD 65 million (USD 100 million), a decrease of USD 35 million, or 35%. The EBITDA decrease relates mainly to the Deepsea Atlantic and Deepsea Stavanger drop in revenues outlined above, but partly offset by improved performance on the Deepsea Aberdeen and lower operating expenses.

EBIT for the MODU segment in Q2 2016 was USD 32 million (USD 63 million), a decrease of USD 31 million, or 49%.

Operating revenue for the MODU segment YTD 2016 was USD 220 million (USD 353 million), a decrease of USD 133 million, or 38%. Lower revenues are mainly explained by the partly idle situation on the Deepsea Atlantic and the Deepsea Stavanger in 2016. This is partly offset by full operation in 2016 for the Deepsea Aberdeen after its commencement during Q2 2015.

EBITDA for the MODU segment YTD 2016 was USD 103 million (USD 177 million), a decrease of USD 74 million, or 42%. The EBITDA decrease relates mainly to the Deepsea Atlantic and Deepsea Stavanger drop in revenues outlined above and partly offset by the commencement and improved performance on the Deepsea Aberdeen and lower operating expenses.

EBIT for the MODU segment YTD 2016 was USD 39 million (USD 113 million), a decrease of USD 74 million, or 66%.

### *MODU - Financial utilisation*

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

| Financial Utilization - MODU | Q2 16 | Q2 15 | YTD 16 | YTD 15 | FY 15 |
|------------------------------|-------|-------|--------|--------|-------|
| Deepsea Stavanger.....       | 99.7% | 99.7% | 99.7%  | 99.4%  | 98.8% |
| Deepsea Atlantic.....        | 99.9% | 98.8% | 99.7%  | 98.9%  | 99.0% |
| Deepsea Bergen.....          | 98.7% | 94.3% | 96.8%  | 92.2%  | 83.9% |
| Deepsea Aberdeen.....        | 99.7% | 96.7% | 98.2%  | 96.7%  | 97.2% |

- Deepsea Stavanger commenced its contract with JX Nippon west of Shetland on 10 May 2016 after being idle since November 2015.
- Deepsea Atlantic commenced its Statoil contract on the Johan Sverdrup field 1 March 2016 after being idle since August 2015.
- Deepsea Bergen was operating for Statoil on the NCS for the first half of 2016.
- Deepsea Aberdeen was operating for BP West of Shetland for the first half of 2016.

Financial utilization 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 is only measured for periods on charter.

#### ***Events in the reporting period***

##### *Deepsea Stavanger – commencement of drilling for JX Nippon*

Deepsea Stavanger commenced on the one well contract with JX Nippon west of Shetland (UK) on 10 May 2016.

#### ***Events after reporting period***

##### *Deepsea Stavanger – completed drilling for JX Nippon*

Deepsea Stavanger completed the one well contract with JX Nippon west of Shetland (UK) on 8 July 2016 and is awaiting commencement on the Wintershall contract for the Maria field in Q1 2017.

##### *Deepsea Metro I – commencement of drilling for Petronas*

Deepsea Metro I commenced the one firm well plus four optional wells contract with Petronas offshore Malaysia on 17 July 2016.

## Drilling & Technology segment

All figures in USD million

| Key figures Drilling & Technology segment | Q2 16 | Q2 15 | YTD 16 | YTD 15 | FY 15 |
|---|-------|-------|--------|--------|-------|
| Operating revenue.....                    | 37    | 51    | 75     | 105    | 197   |
| EBITDA.....                               | (0)   | (3)   | (1)    | (6)    | 4     |
| EBIT.....                                 | (2)   | (5)   | (3)    | (9)    | (1)   |
| EBITDA margin.....                        | (1%)  | (5%)  | (1%)   | (6%)   | 2 %   |

Operating revenue for the Drilling & Technology segment in Q2 2016 was USD 37 million (USD 51 million), a decrease of USD 13 million, or 27%. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation in the North Sea and reduced activity for the engineering services in this quarter compared to Q2 2015, especially the discontinuation of the Talisman Sinopec contract in UK and drill stop on the Brage platform. The strengthening of the USD towards NOK in the period also had a negative impact on the operating revenue compared to Q2 2015.

EBITDA for the Drilling & Technology segment in Q2 2016 was negative USD 0.2 million (negative USD 3 million), an improvement of USD 3 million. EBIT for the Drilling & Technology segment in Q2 2016 was negative USD 2 million (negative USD 5 million), an improvement of USD 3 million. The improvement in EBITDA and EBIT is mainly explained by a reduction in personnel cost and loss of receivables accounted for in Q2 2015.

Operating revenue for the Drilling & Technology segment YTD 2016 was USD 75 million (USD 105 million), a decrease of USD 29 million, or 28%. The decrease in revenue was primarily attributable to a reduction of the number of strings in operation in the North Sea and reduced activity for the engineering services in the period. The strengthening of the USD towards NOK also had a negative impact on the operating revenue compared to YTD 2015.

EBITDA for the Drilling & Technology segment YTD 2016 was negative USD 1 million (negative USD 6 million), a decrease of USD 5 million. EBIT for the Drilling & Technology segment YTD 2016 was negative USD 3 million (negative USD 9 million), a positive increase of USD 6 million. The improvement in EBITDA and EBIT is mainly explained by a reduction in personnel cost and loss of receivables accounted for in YTD 2015.

### Events in the reporting period

#### *Reduced platform portfolio for Statoil on the NCS*

Odfjell Drilling's platform portfolio for Statoil will be reduced from 1 October 2016 following Statoil's decision not to declare optional contract periods for five of the platforms.

Odfjell Drilling will transfer approximately 300 employees (the majority being offshore crews) to the contractor taking over the operations on the five platforms.

Statoil has declared the 2 years option for the Heidrun and Grane platforms.

Odfjell Drilling will commence operations on the Johan Sverdrup platform in Norway and the Mariner platform in UK for Statoil when these come into drilling operation during 2018.

## Well Services segment

*All figures in USD million*

| Key figures Well Services segment | Q2 16 | Q2 15 | YTD 16 | YTD 15 | FY 15 |
|-----------------------------------|-------|-------|--------|--------|-------|
| Operating revenue.....            | 29    | 38    | 58     | 78     | 138   |
| EBITDA.....                       | 11    | 16    | 21     | 32     | 55    |
| EBIT.....                         | 3     | 7     | 4      | 14     | 20    |
| EBITDA margin.....                | 39%   | 42%   | 37%    | 41%    | 40 %  |

Operating revenue for the Well Services segment in Q2 2016 was USD 29 million (USD 38 million), a decrease of USD 9 million, or 23%. The revenue for the Well Services segment declined in Q2 2016 due to lower activity level in all markets, but primarily in Norway. Lower activity within Well Services has led to lower utilization of equipment and a general price pressure due to increased competition in all service segments. The strengthening of the USD towards NOK and other currencies in the period also had a negative impact on the operating revenue compared to Q2 2015.

EBITDA for the Well Services segment in Q2 2016 was USD 11 million (USD 16 million), a decrease of USD 5 million, or 30%. EBITDA margin for the Well Services segment in Q2 2016 was 39% compared to 42% for Q2 2015.

EBIT for the Well Services segment in Q2 2016 was USD 3 million (USD 7 million), a decrease of USD 4 million, or 60%. The decrease in both EBITDA and EBIT was mainly attributable to the same reasons as the decrease in operating revenues but is partly offset by reduced costs as Well Services continued to reduce its cost base during Q2 2016.

Operating revenue for the Well Services segment YTD 2016 was USD 58 million (USD 78 million), a decrease of USD 20 million, or 26 %. The decrease in YTD 2016 revenue is explained by the same factors as for Q2 2016.

EBITDA for the Well Services segment YTD 2016 was USD 21 million (USD 32 million), a decrease of USD 11 million, or 34%. EBITDA margin for the Well Services segment YTD 2016 was 37% compared to 41% for YTD 2015.

EBIT for the Well Services segment YTD 2016 was USD 4 million (USD 14 million), a decrease of USD 10 million, or 69%. The decrease in both EBITDA and EBIT were mainly attributable to the same reasons as the decrease in operating revenues.

## Events after the reporting period

### *Re-enter the Iranian market*

Odfjell Drilling's Well Services division re-entered the Iranian market with its first operations commenced in early July 2016.

## Outlook

The drilling and oil service market remains weak and we do not see any signs of improvement near term. The soft market is due to the substantial supply of newbuilds, especially in the UDW market. At the same time, oil companies still focus on cost cutting programs and capital spending reductions which have further reduced demand for drilling capacity. The results are an increasing number of stacked units and continued downward pressure on day rates and asset values.

Within the next few years we believe the continued scrapping of older rigs in combination with required exploration and development drilling will bring the market back to balance and subsequent improved day rates.

Odfjell Drilling has a fleet of 6<sup>th</sup> generation units capable of working in both ultra deep waters and harsh environments providing operational and geographical flexibility.

Deepsea Stavanger is currently idle after the completion of its JX Nippon contract on 8 July 2016. The rig is expected to commence its new drilling contract for Wintershall on the Maria field in Q1 2017. We are following leads for potential work for Deepsea Stavanger prior to the Wintershall contract. Deepsea Aberdeen is contracted until 2022 for BP West of Shetland, Deepsea Atlantic is contracted to Statoil until 2019 on the Johan Sverdrup field and Deepsea Bergen has a contract for Statoil ending mid-2017.

Well Services has faced increased competition and price pressure for its services globally but has been able to partly compensate for the price pressure and lower volumes through cost reduction initiatives and increased efficiency. Well Services has further reduced its capital expenditures to enhance utilization of the equipment base. Well Services has continued its growth within well intervention services.

The slowdown in the North Sea activity level has led to continued low activity level for development and upgrade projects. To meet this challenge the Group has continued its work to increase efficiency and reduce its cost base.

The Group has reduced the cost level substantially throughout the organisation to be in a better position to compete in the current market environment.

In the longer term, we are of the opinion that the oil industry's demand for drilling services will continue to be supported by the need for replacement of reserves and by continued spending on exploration and field-development in the main offshore regions. The Group's business segments are positioned for taking advantage of the future market improvements.

## Risks and uncertainties

Factors that, in the Group's view, could cause actual results to differ materially from the outlook contained in this report are the following: volatile oil and gas prices, competition within the oil and gas

services industry, changes in client’s spending budgets, the developments in the financial markets and within the Group.

The substantial reduction in market capitalization for the oil and gas service providers has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is currently challenging and additional funding sources may not be available 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.

In spite of the substantial impairment write-down accounted for in the restated financial statements, there is still a risk that the Group might be engaged in further impairment discussions depending on future market developments.

The market outlook and contract situation for the Group’s mobile offshore drilling units may also affect the liquidity risk and covenant risk since reduced revenues from drilling operations directly affect the operating results and cash flow from operations. The Group has, through the latest years, implemented cost reduction and efficiency improvement programs and continued its focus on capital discipline in order to improve its competitiveness in a challenging market.

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

| Key figures QHSE  | Q2 16 | FY 2015 |
|---|-------|---------|
| Lost time incident frequency (as per 1 million working hours).....        | 0.5   | 0.2     |
| Total recordable incident frequency (as per 1 million working hours)..... | 1.1   | 1.3     |
| Sick leave (percentage).....  | 2.9   | 3.5     |
| Dropped objects frequency (as per 1 million working hours).....           | 4.6   | 3.5     |
| Number of employees.....  | 2 224 | 2 461   |

Hamilton, Bermuda  
24 August 2016

Board of Directors of Odfjell Drilling Ltd.

Carl-Erik Haavaldsen, Chairman

Helene Odfjell, Director

Kirk L. Davis, Director

Bengt Lie Hansen, Director

Henry H. Hamilton III, Director

Odfjell Drilling Ltd.

Q2 2016

Condensed Consolidated  
Financial Statements

Odfjell Drilling Ltd.  
Condensed Consolidated Financial Statements for the interim period ended 30 June 2016 - Unaudited  
(All amounts are in USD thousands unless otherwise stated)

### Condensed Consolidated Income Statement

| USD thousands   | Note | Q2 16         | Q2 15            | YTD 16          | YTD 15           | Restated<br>FY 15 |
|---|------|---------------|------------------|-----------------|------------------|-------------------|
| Operating revenue                                     | 4    | 182 953       | 286 220          | 341 373         | 526 226          | 926 827           |
| Other gains and losses                                |      | 172           | 530              | 283             | 993              | 1                 |
| Share of profit (loss) from Deep Sea Metro Ltd. Group | 4,9  | -             | (263 559)        | 20              | (277 086)        | (269 186)         |
| Personnel expenses                                    |      | (72 662)      | (123 369)        | (145 330)       | (230 391)        | (381 736)         |
| Other operating expenses                              |      | (37 561)      | (54 361)         | (79 088)        | (102 093)        | (197 423)         |
| <b>EBITDA</b>   |      | <b>72 901</b> | <b>(154 539)</b> | <b>117 259</b>  | <b>(82 351)</b>  | <b>78 482</b>     |
| Depreciation and impairment                           | 5    | (41 452)      | (47 263)         | (81 414)        | (83 679)         | (320 806)         |
| <b>Operating profit (EBIT)</b>                        |      | <b>31 449</b> | <b>(201 802)</b> | <b>35 844</b>   | <b>(166 031)</b> | <b>(242 324)</b>  |
| Share of profit (loss) from other joint ventures      | 9    | 1 381         | (1 162)          | 1 286           | (2 816)          | (28 405)          |
| Net financial items                                   | 14   | (19 705)      | (12 683)         | (38 004)        | (23 779)         | (64 445)          |
| <b>Profit/(loss) before tax</b>                       |      | <b>13 124</b> | <b>(215 647)</b> | <b>(874)</b>    | <b>(192 626)</b> | <b>(335 174)</b>  |
| Income taxes  | 11   | (4 384)       | (8 324)          | (9 345)         | (13 605)         | 15 741            |
| <b>Profit/(loss) for the period</b>                   |      | <b>8 740</b>  | <b>(223 971)</b> | <b>(10 219)</b> | <b>(206 232)</b> | <b>(319 433)</b>  |

### Condensed Consolidated Statement of Comprehensive Income:

| USD thousands   | Note | Q2 16          | Q2 15          | YTD 16          | YTD 15           | Restated<br>FY 15 |
|---|------|----------------|----------------|-----------------|------------------|-------------------|
| <b>Profit/(loss) for the period</b>                             |      | <b>8 740</b>   | <b>17 739</b>  | <b>(10 219)</b> | <b>(206 232)</b> | <b>(319 433)</b>  |
| <b>Items that will not be reclassified to profit or loss:</b>   |      |                |                |                 |                  |                   |
| Actuarial gain / (loss) on post employment benefit obligations  |      | -              | -              | -               | -                | 8 170             |
| Total   |      | -              | -              | -               | -                | 8 170             |
| <b>Items that are or may be reclassified to profit or loss:</b> |      |                |                |                 |                  |                   |
| Cash flow hedges  |      | (297)          | (337)          | (223)           | 148              | (528)             |
| Currency translation differences                                |      | (2 586)        | (7 185)        | 2 014           | (8 920)          | (11 947)          |
| Total   |      | (2 883)        | (7 523)        | 1 792           | (8 772)          | (12 475)          |
| <b>Total other comprehensive income, net of tax</b>             |      | <b>(2 883)</b> | <b>(7 523)</b> | <b>1 792</b>    | <b>(8 772)</b>   | <b>(4 305)</b>    |
| <b>Comprehensive income for the period</b>                      |      | <b>5 857</b>   | <b>10 217</b>  | <b>(8 428)</b>  | <b>(215 004)</b> | <b>(323 739)</b>  |

### Earnings per share (USD)

|                            |   |      |      |        |        |        |
|----------------------------|---|------|------|--------|--------|--------|
| Basic earnings per share   | 8 | 0,04 | 0,09 | (0,05) | (1,04) | (1,61) |
| Diluted earnings per share | 8 | 0,04 | 0,09 | (0,05) | (1,04) | (1,61) |

Odfjell Drilling Ltd.  
Condensed Consolidated Financial Statements for the interim period ended 30 June 2016 - Unaudited  
(All amounts are in USD thousands unless otherwise stated)

## Condensed Consolidated Statement of Financial Position

| USD thousands                        | Note | 30.06.16         | 30.06.15         | Restated<br>31.12.15 |
|--------------------------------------|------|------------------|------------------|----------------------|
| <b>Assets</b>                        |      |                  |                  |                      |
| Deferred tax asset                   |      | 6 051            | -                | 8 397                |
| Intangible assets                    | 5    | 35 048           | 38 269           | 33 800               |
| Property, plant and equipment        | 5    | 2 068 769        | 2 306 741        | 2 131 364            |
| Financial fixed assets               | 3,9  | 8 670            | 40 379           | 15 165               |
| <b>Total non-current assets</b>      |      | <b>2 118 538</b> | <b>2 385 389</b> | <b>2 188 726</b>     |
| Spare parts                          |      | 3 190            | 3 000            | 2 818                |
| Trade receivables                    | 15   | 143 938          | 229 558          | 178 481              |
| Other current assets                 |      | 21 913           | 22 021           | 45 195               |
| Cash and cash equivalents            |      | 165 713          | 212 436          | 201 626              |
| <b>Total current assets</b>          |      | <b>334 753</b>   | <b>467 016</b>   | <b>428 120</b>       |
|                                      |      | -                |                  |                      |
| <b>Total assets</b>                  |      | <b>2 453 291</b> | <b>2 852 404</b> | <b>2 616 846</b>     |
| <b>Equity and liabilities</b>        |      |                  |                  |                      |
| Total paid-in capital                |      | 328 841          | 328 841          | 328 841              |
| Other equity                         |      | 454 256          | 571 277          | 462 683              |
| <b>Total equity</b>                  |      | <b>783 096</b>   | <b>900 118</b>   | <b>791 524</b>       |
| Borrowings                           | 10   | 483 255          | 1 466 585        | 878 664              |
| Post-employment benefits             |      | 36 503           | 66 550           | 42 636               |
| Deferred tax liability               |      | 0                | 3 769            | -                    |
| Other non-current liabilities        | 3    | 6 234            | 14 702           | 3 816                |
| <b>Total non-current liabilities</b> |      | <b>525 993</b>   | <b>1 551 605</b> | <b>925 116</b>       |
| Borrowings                           | 10   | 996 901          | 239 502          | 718 360              |
| Trade payables                       |      | 26 591           | 30 379           | 25 150               |
| Other current liabilities            | 15   | 120 710          | 130 800          | 156 696              |
| <b>Total current liabilities</b>     |      | <b>1 144 202</b> | <b>400 682</b>   | <b>900 206</b>       |
| <b>Total liabilities</b>             |      | <b>1 670 195</b> | <b>1 952 287</b> | <b>1 825 322</b>     |
| <b>Total equity and liabilities</b>  |      | <b>2 453 291</b> | <b>2 852 404</b> | <b>2 616 846</b>     |

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Odfjell Drilling Ltd.  
Condensed Consolidated Financial Statements for the interim period ended 30 June 2016 - Unaudited  
(All amounts are in USD thousands unless otherwise stated)

### Condensed Consolidated Statement of Changes in Equity

| USD thousands                               | Share capital | Other<br>contributed<br>capital | Other<br>reserves | Retained<br>earnings | Total equity     |
|---|---------------|---------------------------------|-------------------|----------------------|------------------|
| <b>Balance at 1 January 2015</b>            | <b>2 000</b>  | <b>329 809</b>                  | <b>(103 566)</b>  | <b>887 631</b>       | <b>1 115 874</b> |
| Profit/(loss) for the period                | -             | -                               | -                 | (206 232)            | (206 232)        |
| Other comprehensive income for the period   | -             | -                               | (8 913)           | -                    | (8 913)          |
| Total comprehensive income for the period   | -             | -                               | (8 913)           | (206 232)            | (215 145)        |
| Purchase of own shares                      | -             | -                               | (612)             | -                    | (612)            |
| Cancellation of own shares                  | (13)          | (2 956)                         | 2 969             | -                    | -                |
| Transactions with owners                    | (13)          | (2 956)                         | 2 357             | -                    | (612)            |
| <b>Balance at 30 June 2015</b>              | <b>1 987</b>  | <b>326 853</b>                  | <b>(110 123)</b>  | <b>681 400</b>       | <b>900 118</b>   |
| Comprehensive income in the period Q3-Q4    | -             | -                               | 4 608             | (113 202)            | (108 594)        |
| <b>Restated balance at 31 December 2015</b> | <b>1 987</b>  | <b>326 853</b>                  | <b>(105 515)</b>  | <b>568 198</b>       | <b>791 524</b>   |
| Profit/(loss) for the period                | -             | -                               | -                 | (10 219)             | (10 219)         |
| Other comprehensive income for the period   | -             | -                               | 1 792             | -                    | 1 792            |
| Total comprehensive income for the period   | -             | -                               | 1 792             | (10 219)             | (8 428)          |
| <b>Balance at 30 June 2016</b>              | <b>1 987</b>  | <b>326 853</b>                  | <b>(103 723)</b>  | <b>557 979</b>       | <b>783 096</b>   |

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(All amounts are in USD thousands unless otherwise stated)

## Condensed Consolidated Statement of Cash Flows

| USD thousands   | Q2 16           | Q2 15           | YTD 16           | YTD 15          | Restated<br>FY 15 |
|---|-----------------|-----------------|------------------|-----------------|-------------------|
| <b>Cash flows from operating activities:</b>                  |                 |                 |                  |                 |                   |
| Profit/(loss) before tax                                      | 13 124          | (215 647)       | (874)            | (192 626)       | (335 174)         |
| <i>Adjustments for:</i>                                       |                 |                 |                  |                 |                   |
| Depreciation and impairment                                   | 41 452          | 47 263          | 81 414           | 83 679          | 320 806           |
| Unrealised (gain)/loss on interest rate swaps                 | 228             | (2 760)         | 1 186            | (4 035)         | (7 438)           |
| Interest expense - net  | 14 508          | 15 834          | 29 364           | 27 709          | 59 791            |
| Borrowing cost  | 1 939           | 1 993           | 3 937            | 3 960           | 7 872             |
| Share of (profit)/loss from joint ventures                    | (1 381)         | 264 721         | (1 306)          | 279 902         | 297 591           |
| Net (gain)/loss on sale of tangible fixed assets              | (114)           | (530)           | (225)            | (993)           | (1)               |
| Post-employment benefit expenses less payments                | 695             | (7 553)         | (8 162)          | (5 251)         | (8 071)           |
| Net currency (gain)/loss not related to operating activities  | (9 548)         | (947)           | (2 357)          | (10 461)        | 5 137             |
| Net effect acquisition of shares in joint venture             | -               | (2 974)         | -                | (2 974)         | (2 974)           |
| <i>Changes in working capital:</i>                            |                 |                 |                  |                 |                   |
| Spare parts   | 10              | 841             | (305)            | 427             | 610               |
| Trade receivables   | (14 993)        | (32 621)        | 32 741           | (16 400)        | 39 947            |
| Trade payables  | 2 636           | 9 143           | 326              | 1 045           | (4 184)           |
| Other accruals  | 6 344           | 10 541          | (33 215)         | (4 305)         | 612               |
| <b>Cash generated from operations</b>                         | <b>54 900</b>   | <b>87 303</b>   | <b>102 524</b>   | <b>159 677</b>  | <b>374 524</b>    |
| Interest paid   | (18 255)        | (19 472)        | (31 153)         | (34 570)        | (69 390)          |
| Net income tax refunded (paid)                                | (5 095)         | (11 678)        | 20 872           | (23 369)        | (34 267)          |
| <b>Net cash generated from operating activities</b>           | <b>31 549</b>   | <b>56 153</b>   | <b>92 243</b>    | <b>101 738</b>  | <b>270 867</b>    |
| <b>Cash flows from investing activities:</b>                  |                 |                 |                  |                 |                   |
| Purchase of property, plant and equipment                     | (7 444)         | (22 244)        | (20 893)         | (83 803)        | (147 044)         |
| Proceeds from sale of property, plant and equipment           | 765             | 5 366           | 919              | 4 770           | 3 661             |
| Loans granted to employees                                    | (2)             | 3               | -                | 30              | 147               |
| Subordinated loan to related parties                          | -               | (1 327)         | -                | (1 327)         | (1 355)           |
| Other long term receivables                                   | 57              | -               | 28               | -               | -                 |
| Purchase of shares incl. joint ventures                       | 0               | 0               | 0                | (1)             | (3 162)           |
| Proceeds from shares incl. joint ventures                     | -               | -               | 7 920            | -               | -                 |
| <b>Net cash used in investing activities</b>                  | <b>(6 624)</b>  | <b>(18 202)</b> | <b>(12 025)</b>  | <b>(80 331)</b> | <b>(147 754)</b>  |
| <b>Cash flows from financing activities:</b>                  |                 |                 |                  |                 |                   |
| Proceeds from debt to financial institutions                  | -               | -               | -                | 110 000         | 110 000           |
| Repayments of debt to financial institutions                  | (81 000)        | (77 000)        | (119 000)        | (112 000)       | (224 000)         |
| Purchase of own shares  | -               | -               | -                | (753)           | (612)             |
| <b>Net cash from financing activities</b>                     | <b>(81 000)</b> | <b>(77 000)</b> | <b>(119 000)</b> | <b>(2 753)</b>  | <b>(114 612)</b>  |
| <b>Net change in cash and cash equivalents</b>                | <b>(56 075)</b> | <b>(39 049)</b> | <b>(38 782)</b>  | <b>18 654</b>   | <b>8 502</b>      |
| Cash and cash equivalents at beginning of period              | 216 738         | 249 110         | 201 626          | 191 201         | 191 201           |
| Effects of exchange rate changes on cash and cash equivalents | 5 049           | 2 376           | 2 869            | 2 580           | 1 922             |
| <b>Cash and cash equivalents at period end</b>                | <b>165 713</b>  | <b>212 436</b>  | <b>165 713</b>   | <b>212 436</b>  | <b>201 626</b>    |

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## Note 1 | Accounting Principles

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### 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 engineering services.

Odfjell Drilling Ltd., is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

These condensed interim financial statements were approved by the Board of Directors for issue on 24 August 2016 and have not been audited.

### Basis for preparation

These condensed interim financial statements for the six months period ended 30 June 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS.

### Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and order back-log.

The substantial reduction in market capitalization for the oil and gas service providers has led the financial institutions to focus on contract backlog as the major criteria for debt financing. The market for rig financing is currently challenging and additional funding sources may not be available 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 into consideration, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

### Accounting principles

The accounting principles adopted are consistent with those of the previous financial year except that income tax expense is recognised in each interim period using the expected weighted average annual income tax rate for the full financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### Use of estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 2015.

There will always be uncertainty related to judgement and assumptions related to accounting estimates. Reference is made to *Note 5 Tangible and intangible assets*, where assumptions and sensitivity analysis for goodwill and mobile drilling units are presented. Reference is also made to *Note 2 Correction to previous financial statements* regarding impairment write-down of mobile drilling units due to changes in assumptions.

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.

When accounting for uncertain tax positions, the company applies the general measurement principles in IAS 12. Under IAS 12, uncertain tax positions (whether assets or liabilities) are reflected at the amount expected to be recovered from or paid to the taxation authorities. The amount expected to be paid, is calculated by using the single best estimate of the most likely outcome. A change in estimate is recognized in the period when new information occurs. Where an entity has paid more than the amount it believes is payable under the relevant tax legislation, it will estimate the recovery of a tax asset.

## Note 2 | Correction to previous financial statements

### The Financial Supervisory Authority of Norway (FSA) enforcement decision

The FSA has reviewed the financial statements for 2014 and the Q3 2015 quarterly report focusing on the Group's impairment tests of its mobile offshore drilling units at the reporting date. On 24 May 2016 the company received an enforcement decision from the FSA concluding that the rigs, Deepsea Atlantic and Deepsea Stavanger, were impaired as of 30 September 2015 and the company was ordered to recalculate the value in use for both rigs, taking into consideration assumptions that are more in line with external value estimates.

Based on this enforcement decision, the company has recalculated the value in use for both rigs as of 30 September 2015, 31 December 2015 and 31 March 2016 using updated assumptions and taking into account the information known at the 30 June 2016 reporting date.

The following key assumptions have been used when conducting the updated calculation of value in use for the 6G semi mobile drilling rigs, Deepsea Atlantic and Deepsea Stavanger:

| Key assumptions as of  | 30.09.2015 | 31.12.2015 | 31.03.2016 |
|--|------------|------------|------------|
| Weighted Average Cost of Capital (WACC)                            | 9,00 %     | 9,00 %     | 9,00 %     |
| Firm contract day rates  | 275-545    | 275-306    | 275-306    |
| Future normative base case day rates - 2021 and onwards - 6G units | 435        | 435        | 435        |
| Financial utilisation in normative period                          | 95%        | 95%        | 95%        |

When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each units' recoverable amount. The recalculated recoverable amounts based on updated estimates resulted in impairment of USD 158.5 million as of 30 September 2015. No further impairment was identified as at 31 December 2015 and 31 March 2016. Depreciation cost for the following periods has been updated to take into account the impairment. The impairment and depreciation have been corrected by restating each of the affected financial statements line items for the periods, as follows:

| Consolidated Income Statement as of | Q3 15                  |                       |                  | YTD Q3 15              |                       |                  |
|-------------------------------------|------------------------|-----------------------|------------------|------------------------|-----------------------|------------------|
|                                     | As previously reported | Effect of restatement | Restated         | As previously reported | Effect of restatement | Restated         |
| <b>USD thousands</b>                |                        |                       |                  |                        |                       |                  |
| Depreciation and impairment         | (42 805)               | (158 536)             | (201 341)        | (126 484)              | (158 536)             | (285 020)        |
| <b>Operating profit (EBIT)</b>      | <b>49 336</b>          | <b>(158 536)</b>      | <b>(109 200)</b> | <b>(116 694)</b>       | <b>(158 536)</b>      | <b>(275 230)</b> |
| <b>Profit/(loss) for the period</b> | <b>6 441</b>           | <b>(158 536)</b>      | <b>(152 095)</b> | <b>(199 791)</b>       | <b>(158 536)</b>      | <b>(358 327)</b> |

### Earnings per share (USD)

|                            |      |        |        |        |        |        |
|----------------------------|------|--------|--------|--------|--------|--------|
| Basic earnings per share   | 0,03 | (0,80) | (0,77) | (1,01) | (0,80) | (1,80) |
| Diluted earnings per share | 0,03 | (0,80) | (0,77) | (1,01) | (0,80) | (1,80) |

| Consolidated Income Statement as of | Q4 15                  |                       |               | FY 15                  |                       |                  |
|-------------------------------------|------------------------|-----------------------|---------------|------------------------|-----------------------|------------------|
|                                     | As previously reported | Effect of restatement | Restated      | As previously reported | Effect of restatement | Restated         |
| <b>USD thousands</b>                |                        |                       |               |                        |                       |                  |
| Depreciation and impairment         | (37 402)               | 1 616                 | (35 786)      | (163 886)              | (156 920)             | (320 806)        |
| <b>Operating profit (EBIT)</b>      | <b>31 290</b>          | <b>1 616</b>          | <b>32 906</b> | <b>(85 404)</b>        | <b>(156 920)</b>      | <b>(242 324)</b> |
| <b>Profit/(loss) for the period</b> | <b>37 278</b>          | <b>1 616</b>          | <b>38 894</b> | <b>(162 513)</b>       | <b>(156 920)</b>      | <b>(319 433)</b> |

### Earnings per share (USD)

|                            |      |      |      |        |        |        |
|----------------------------|------|------|------|--------|--------|--------|
| Basic earnings per share   | 0,19 | 0,01 | 0,20 | (0,82) | (0,79) | (1,61) |
| Diluted earnings per share | 0,19 | 0,01 | 0,20 | (0,82) | (0,79) | (1,61) |

[Note 2 | Correction to previous financial statements - cont.](#)

**Consolidated income statement as of**

**Q1 16**

| USD thousands                       | As<br>previously<br>reported | Effect of<br>restatement | Restated        |
|-------------------------------------|------------------------------|--------------------------|-----------------|
| Depreciation and impairment         | (41 578)                     | 1 616                    | (39 962)        |
| <b>Operating profit (EBIT)</b>      | <b>2 780</b>                 | <b>1 616</b>             | <b>4 396</b>    |
| <b>Profit/(loss) for the period</b> | <b>(20 576)</b>              | <b>1 616</b>             | <b>(18 960)</b> |

**Earnings per share (USD)**

|                            |        |      |        |
|----------------------------|--------|------|--------|
| Basic earnings per share   | (0,10) | 0,01 | (0,10) |
| Diluted earnings per share | (0,10) | 0,01 | (0,10) |

**Consolidated statement of financial position  
as at**

**30.09.2015**

**31.12.2015**

| USD thousands                 | As<br>previously<br>reported | Effect of<br>restatement | Restated         | As<br>previously<br>reported | Effect of<br>restatement | Restated         |
|-------------------------------|------------------------------|--------------------------|------------------|------------------------------|--------------------------|------------------|
| Property, plant and equipment | 2 286 334                    | (158 536)                | 2 127 798        | 2 288 284                    | (156 920)                | 2 131 364        |
| <b>Total assets</b>           | <b>2 829 792</b>             | <b>(158 536)</b>         | <b>2 671 256</b> | <b>2 773 766</b>             | <b>(156 920)</b>         | <b>2 616 846</b> |
| Other equity                  | 576 708                      | (158 536)                | 418 172          | 619 604                      | (156 920)                | 462 683          |
| <b>Total equity</b>           | <b>905 549</b>               | <b>(158 536)</b>         | <b>747 013</b>   | <b>948 444</b>               | <b>(156 920)</b>         | <b>791 524</b>   |
| Equity ratio                  | 32,0 %                       |                          | 28,0 %           | 34,2 %                       |                          | 30,2 %           |

**Consolidated statement of financial position  
as at**

**31.03.2016**

| USD thousands                 | As<br>previously<br>reported | Effect of<br>restatement | Restated         |
|-------------------------------|------------------------------|--------------------------|------------------|
| Property, plant and equipment | 2 260 171                    | (155 304)                | 2 104 867        |
| <b>Total assets</b>           | <b>2 680 175</b>             | <b>(155 304)</b>         | <b>2 524 871</b> |
| Other equity                  | 603 703                      | (155 304)                | 448 399          |
| <b>Total equity</b>           | <b>932 543</b>               | <b>(155 304)</b>         | <b>777 239</b>   |
| Equity ratio                  | 34,8 %                       |                          | 30,8 %           |

**Note 2 | Correction to previous financial statements - cont.**

**Sensitivity analysis mobile drilling units as at 30.09.2015**

|  |         |         |         |
|--|---------|---------|---------|
| WACC increased by  | 1 ppt   | 2 ppts  | 3 ppts  |
| Estimated additional impairment write-off all 6G mobile drilling units | 105 815 | 198 303 | 279 487 |

|  |  |        |         |
|--|--|--------|---------|
| Normative day rate level decreased by                                  |  | 5 %    | 10 %    |
| Estimated additional impairment write-off all 6G mobile drilling units |  | 83 460 | 166 919 |

|  |  |        |        |
|--|--|--------|--------|
| Normative opex level increased by                                      |  | 5 %    | 10 %   |
| Estimated additional impairment write-off all 6G mobile drilling units |  | 37 881 | 75 763 |

**Sensitivity analysis mobile drilling units as at 31.12.2015**

|   |        |         |         |
|---|--------|---------|---------|
| WACC increased by   | 1 ppt  | 2 ppts  | 3 ppts  |
| Estimated impairment write-off all 6G mobile drilling units | 81 631 | 174 074 | 255 330 |

|   |  |        |         |
|---|--|--------|---------|
| Normative day rate level decreased by                       |  | 5 %    | 10 %    |
| Estimated impairment write-off all 6G mobile drilling units |  | 61 297 | 146 574 |

|   |  |        |        |
|---|--|--------|--------|
| Normative opex level increased by                           |  | 5 %    | 10 %   |
| Estimated impairment write-off all 6G mobile drilling units |  | 23 454 | 53 432 |

**Sensitivity analysis mobile drilling units as at 31.03.2016**

|  |        |         |         |
|--|--------|---------|---------|
| WACC increased by  | 1 ppt  | 2 ppts  | 3 ppts  |
| Estimated additional impairment write-off all 6G mobile drilling units | 31 406 | 123 801 | 205 130 |

|  |  |        |        |
|--|--|--------|--------|
| Normative day rate level decreased by                                  |  | 5 %    | 10 %   |
| Estimated additional impairment write-off all 6G mobile drilling units |  | 23 132 | 39 833 |

|  |  |     |        |
|--|--|-----|--------|
| Normative opex level increased by                                      |  | 5 % | 10 %   |
| Estimated additional impairment write-off all 6G mobile drilling units |  | -   | 18 739 |

In the sensitivity analysis, ship broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller is used as a basis for fair value less cost to sell. The estimated impairment stated above in the different scenarios are based on the assumption that the asset will be written down to the highest of value in use and fair value less costs to sell.

[Note 2 | Correction to previous financial statements - cont.](#)

Restated Condensed Consolidated Income Statement:

| USD thousands   | Restated<br>Q3 15 | Restated<br>YTD Q3 15 | Restated<br>Q4 15 | Restated<br>FY 15 | Restated<br>Q1 16 |
|---|-------------------|-----------------------|-------------------|-------------------|-------------------|
| Operating revenue                                     | 221 568           | 747 794               | 179 034           | 926 827           | 158 421           |
| Other gains and losses                                | 699               | 1 692                 | (1 691)           | 1                 | 111               |
| Share of profit (loss) from Deep Sea Metro Ltd. Group | -                 | (277 086)             | 7 900             | (269 186)         | 20                |
| Personnel expenses                                    | (84 252)          | (314 643)             | (67 093)          | (381 736)         | (72 668)          |
| Other operating expenses                              | (45 874)          | (147 967)             | (49 456)          | (197 423)         | (41 526)          |
| <b>EBITDA</b>   | <b>92 141</b>     | <b>9 790</b>          | <b>68 693</b>     | <b>78 482</b>     | <b>44 358</b>     |
| Depreciation and impairment                           | (201 341)         | (285 020)             | (35 786)          | (320 806)         | (39 962)          |
| <b>Operating profit (EBIT)</b>                        | <b>(109 200)</b>  | <b>(275 230)</b>      | <b>32 906</b>     | <b>(242 324)</b>  | <b>4 396</b>      |
| Share of profit (loss) from other joint ventures      | (13 708)          | (16 525)              | (11 880)          | (28 405)          | (95)              |
| Net financial items                                   | (21 121)          | (44 900)              | (19 545)          | (64 445)          | (18 299)          |
| <b>Profit/(loss) before tax</b>                       | <b>(144 029)</b>  | <b>(336 655)</b>      | <b>1 481</b>      | <b>(335 174)</b>  | <b>(13 998)</b>   |
| Income taxes  | (8 067)           | (21 672)              | 37 413            | 15 741            | (4 961)           |
| <b>Profit/(loss) for the period</b>                   | <b>(152 095)</b>  | <b>(358 327)</b>      | <b>38 894</b>     | <b>(319 433)</b>  | <b>(18 960)</b>   |

Restated Condensed Consolidated Statement of Comprehensive Income:

| USD thousands   | Restated<br>Q3 15 | Restated<br>YTD Q3 15 | Restated<br>Q4 15 | Restated<br>FY 15 | Restated<br>Q1 16 |
|---|-------------------|-----------------------|-------------------|-------------------|-------------------|
| <b>Profit/(loss) for the period</b>                             | <b>(152 095)</b>  | <b>(358 327)</b>      | <b>38 894</b>     | <b>(319 433)</b>  | <b>(18 960)</b>   |
| <b>Items that will not be reclassified to profit or loss:</b>   |                   |                       |                   |                   |                   |
| Actuarial gain / (loss) on post employment benefit obligations  | 7 505             | 7 505                 | 665               | 8 170             | -                 |
| Total   | 7 505             | 7 505                 | 665               | 8 170             | -                 |
| <b>Items that are or may be reclassified to profit or loss:</b> |                   |                       |                   |                   |                   |
| Cash flow hedges  | (842)             | (694)                 | 166               | (528)             | 75                |
| Currency translation differences                                | (7 672)           | (16 592)              | 4 645             | (11 947)          | 4 600             |
| Total   | (8 514)           | (17 287)              | 4 811             | (12 475)          | 4 675             |
| Total other comprehensive income, net of tax                    | (1 009)           | (9 782)               | 5 476             | (4 305)           | 4 675             |
| <b>Comprehensive income for the period</b>                      | <b>(153 105)</b>  | <b>(368 109)</b>      | <b>44 370</b>     | <b>(323 739)</b>  | <b>(14 285)</b>   |
| <b>Earnings per share (USD)</b>                                 |                   |                       |                   |                   |                   |
| Basic earnings per share  | (0,77)            | (1,80)                | 0,20              | (1,61)            | (0,10)            |
| Diluted earnings per share                                      | (0,77)            | (1,80)                | 0,20              | (1,61)            | (0,10)            |

[Note 2 | Correction to previous financial statements - cont.](#)

**Restated Condensed Consolidated Statement of Financial Position**

| <b>USD thousands</b>                 | <b>Restated<br/>30.09.15</b> | <b>Restated<br/>31.12.15</b> | <b>Restated<br/>31.03.16</b> |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Assets</b>                        |                              |                              |                              |
| Deferred tax asset                   | -                            | 8 397                        | 6 015                        |
| Intangible assets                    | 35 222                       | 33 800                       | 35 651                       |
| Property, plant and equipment        | 2 127 798                    | 2 131 364                    | 2 104 867                    |
| Financial fixed assets               | 27 911                       | 15 165                       | 7 444                        |
| <b>Total non-current assets</b>      | <b>2 190 931</b>             | <b>2 188 726</b>             | <b>2 153 977</b>             |
| Spare parts                          | 2 843                        | 2 818                        | 3 133                        |
| Trade receivables                    | 183 295                      | 178 481                      | 130 747                      |
| Other current assets                 | 21 152                       | 45 195                       | 20 277                       |
| Cash and cash equivalents            | 273 035                      | 201 626                      | 216 738                      |
| <b>Total current assets</b>          | <b>480 325</b>               | <b>428 120</b>               | <b>370 894</b>               |
| <b>Total assets</b>                  | <b>2 671 256</b>             | <b>2 616 846</b>             | <b>2 524 871</b>             |
| <b>Equity and liabilities</b>        |                              |                              |                              |
| Total paid-in capital                | 328 841                      | 328 841                      | 328 841                      |
| Other equity                         | 418 172                      | 462 683                      | 448 398                      |
| <b>Total equity</b>                  | <b>747 013</b>               | <b>791 524</b>               | <b>777 239</b>               |
| Borrowings                           | 1 429 554                    | 878 664                      | 865 717                      |
| Post-employment benefits             | 54 023                       | 42 636                       | 35 868                       |
| Deferred tax liability               | 5 646                        | -                            | -                            |
| Other non-current liabilities        | 14 368                       | 3 816                        | 5 647                        |
| <b>Total non-current liabilities</b> | <b>1 503 590</b>             | <b>925 116</b>               | <b>907 231</b>               |
| Borrowings                           | 245 745                      | 718 360                      | 697 226                      |
| Trade payables                       | 31 190                       | 25 150                       | 22 840                       |
| Other current liabilities            | 143 718                      | 156 696                      | 120 334                      |
| <b>Total current liabilities</b>     | <b>420 653</b>               | <b>900 206</b>               | <b>840 401</b>               |
| <b>Total liabilities</b>             | <b>1 924 243</b>             | <b>1 825 322</b>             | <b>1 747 632</b>             |
| <b>Total equity and liabilities</b>  | <b>2 671 256</b>             | <b>2 616 846</b>             | <b>2 524 871</b>             |

## Note 3 | 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 from August 2018 to November 2021 and is thus considered limited. The next final maturity on a loan facility is in August 2018.

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 2015. There are no material changes compared to the description in the year-end financial statements.

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%) was approx. USD 9.0 million for FY 2015, including interest rate swaps. There is no material change in the Group's interest rate sensitivity compared to year-end.

### Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities, except changes in non-current liabilities disclosed in note 10.

### 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.

| <b>Assets at</b>                                       | <b>Level</b> | <b>30.06.16</b> | <b>30.06.15</b> | <b>31.12.15</b> |
|--|--------------|-----------------|-----------------|-----------------|
| Available-for-sale financial assets                    |              |                 |                 |                 |
| - Other non current assets                             | 3            | -               | 3               | -               |
| Derivatives held at fair value through profit and loss |              |                 |                 |                 |
| - Other non current assets                             | 2            | -               | -               | -               |
| Derivatives held as hedge instrument                   |              |                 |                 |                 |
| - Other non current assets                             | 2            | -               | 320             | 386             |
| <b>Total assets</b>                                    |              | <b>-</b>        | <b>323</b>      | <b>386</b>      |
| <b>Liabilities at</b>                                  | <b>Level</b> | <b>30.06.16</b> | <b>30.06.15</b> | <b>31.12.15</b> |
| Derivatives held at fair value through profit or loss  |              |                 |                 |                 |
| - Other non current liabilities                        | 2            | 1 882           | 4 163           | 760             |
| - Other current liabilities                            | 2            | 125             | -               | -               |
| Derivatives held as hedge instrument                   |              |                 |                 |                 |
| - Other non current liabilities                        | 2            | 1 171           | 654             | 1 395           |
| <b>Total liabilities</b>                               |              | <b>3 178</b>    | <b>4 817</b>    | <b>2 156</b>    |

### Note 3 | Financial risk management and Financial instruments - cont.

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**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.

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

The fair value of borrowings are as follows:

|              | 30.06.16         | 30.06.15         | 31.12.15         |
|--------------|------------------|------------------|------------------|
| Non-current  | 809 771          | 1 466 585        | 878 664          |
| Current      | 670 385          | 239 502          | 718 360          |
| <b>Total</b> | <b>1 480 156</b> | <b>1 706 087</b> | <b>1 201 429</b> |

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

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents (excluding bank overdrafts)
- Trade and other payables

## Note 4 | Segment summary

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

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), Drilling & Technology business segment (D&T) and Odfjell Well Services business segment (OWS) have been determined as the operating segments.

The Group's internal reporting is prepared according to Norwegian GAAP. This gives rise to differences between the measurements of segment disclosures and comparable items disclosed in this financial report. Such differences are identified and reconciled in the tables below.

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

- **Drilling & Technology (D&T):** Within the Drilling & Technology segment, the Platform Drilling business area provides integrated drilling and maintenance services for fixed platform drilling rigs in the North Sea. The Technology business area offers engineering services, including design, project management and operation and support.

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

|                             | Mobile Offshore<br>Drilling Units |                | Drilling &<br>Technology |                | Well Services |               | Corporate /<br>Eliminations |                  | Consolidated   |                  |
|-----------------------------|-----------------------------------|----------------|--------------------------|----------------|---------------|---------------|-----------------------------|------------------|----------------|------------------|
|                             | Q2 16                             | Q2 15          | Q2 16                    | Q2 15          | Q2 16         | Q2 15         | Q2 16                       | Q2 15            | Q2 16          | Q2 15            |
| External segment revenue    | 120 760                           | 201 062        | 35 645                   | 43 868         | 23 134        | 33 819        | 3 414                       | 7 470            | 182 953        | 286 220          |
| Inter segment revenue       | 1 023                             | 1 333          | 1 459                    | 6 672          | 6 088         | 4 235         | (8 571)                     | (12 240)         | -              | -                |
| <b>Total revenue</b>        | <b>121 783</b>                    | <b>202 395</b> | <b>37 104</b>            | <b>50 540</b>  | <b>29 222</b> | <b>38 054</b> | <b>(5 157)</b>              | <b>(4 769)</b>   | <b>182 953</b> | <b>286 220</b>   |
| <b>EBITDA</b>               | <b>64 633</b>                     | <b>100 034</b> | <b>(205)</b>             | <b>(2 776)</b> | <b>11 282</b> | <b>16 077</b> | <b>(2 809)</b>              | <b>(267 873)</b> | <b>72 901</b>  | <b>(154 539)</b> |
| Depreciation and impairment | (32 845)                          | (37 280)       | (1 314)                  | (1 954)        | (8 292)       | (8 674)       | 998                         | 645              | (41 452)       | (47 263)         |
| <b>EBIT</b>                 | <b>31 788</b>                     | <b>62 753</b>  | <b>(1 519)</b>           | <b>(4 731)</b> | <b>2 990</b>  | <b>7 403</b>  | <b>(1 810)</b>              | <b>(267 227)</b> | <b>31 449</b>  | <b>(201 802)</b> |

|                             | Mobile Offshore<br>Drilling Units |                | Drilling &<br>Technology |                | Well Services |               | Corporate /<br>Eliminations |                  | Consolidated   |                  |
|-----------------------------|-----------------------------------|----------------|--------------------------|----------------|---------------|---------------|-----------------------------|------------------|----------------|------------------|
|                             | YTD 16                            | YTD 15         | YTD 16                   | YTD 15         | YTD 16        | YTD 15        | YTD 16                      | YTD 15           | YTD 16         | YTD 15           |
| External segment revenue    | 218 418                           | 350 080        | 69 667                   | 91 017         | 46 392        | 69 048        | 6 896                       | 16 081           | 341 373        | 526 226          |
| Inter segment revenue       | 1 868                             | 2 930          | 5 470                    | 13 549         | 11 276        | 8 594         | (18 614)                    | (25 073)         | -              | -                |
| <b>Total revenue</b>        | <b>220 287</b>                    | <b>353 010</b> | <b>75 138</b>            | <b>104 566</b> | <b>57 668</b> | <b>77 642</b> | <b>(11 718)</b>             | <b>(8 992)</b>   | <b>341 373</b> | <b>526 226</b>   |
| <b>EBITDA</b>               | <b>102 804</b>                    | <b>176 604</b> | <b>(926)</b>             | <b>(5 785)</b> | <b>21 142</b> | <b>32 039</b> | <b>(5 761)</b>              | <b>(285 209)</b> | <b>117 259</b> | <b>(82 351)</b>  |
| Depreciation and impairment | (64 154)                          | (64 073)       | (2 551)                  | (3 074)        | (16 710)      | (17 605)      | 2 001                       | 1 072            | (81 414)       | (83 679)         |
| <b>EBIT</b>                 | <b>38 650</b>                     | <b>112 530</b> | <b>(3 477)</b>           | <b>(8 859)</b> | <b>4 432</b>  | <b>14 435</b> | <b>(3 760)</b>              | <b>(284 137)</b> | <b>35 844</b>  | <b>(166 031)</b> |

|                             | Mobile Offshore<br>Drilling Units |  | Drilling &<br>Technology |  | Well Services  |  | Corporate /<br>Eliminations |  | Consolidated     |  |
|-----------------------------|-----------------------------------|--|--------------------------|--|----------------|--|-----------------------------|--|------------------|--|
|                             | Restated FY 15                    |  | FY 15                    |  | FY 15          |  | FY 15                       |  | Restated FY 15   |  |
| External segment revenue    | 614 342                           |  | 172 840                  |  | 121 196        |  | 18 450                      |  | 926 827          |  |
| Inter segment revenue       | 6 283                             |  | 24 444                   |  | 17 199         |  | (47 927)                    |  | -                |  |
| <b>Total revenue</b>        | <b>620 625</b>                    |  | <b>197 284</b>           |  | <b>138 395</b> |  | <b>(29 477)</b>             |  | <b>926 827</b>   |  |
| <b>EBITDA</b>               | <b>300 460</b>                    |  | <b>4 423</b>             |  | <b>54 774</b>  |  | <b>(281 175)</b>            |  | <b>78 482</b>    |  |
| Depreciation and impairment | (281 174)                         |  | (5 201)                  |  | (34 979)       |  | 547                         |  | (320 806)        |  |
| <b>EBIT</b>                 | <b>19 286</b>                     |  | <b>(778)</b>             |  | <b>19 795</b>  |  | <b>(280 628)</b>            |  | <b>(242 323)</b> |  |

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 (All amounts are in USD thousands unless otherwise stated)

**Note 4 | Segment summary - cont.**

| <b>Reconciliations:</b>                   | <b>Q2 16</b>  | <b>Q2 15</b>     | <b>YTD 16</b> | <b>YTD 15</b>    | <b>FY 15</b>     |
|---|---------------|------------------|---------------|------------------|------------------|
| <b>Total EBIT for reportable segments</b> | <b>33 259</b> | <b>65 425</b>    | <b>39 605</b> | <b>118 106</b>   | <b>38 304</b>    |
| Corporate / Eliminations                  | (1 561)       | (3 993)          | (7 001)       | (7 639)          | (13 527)         |
| Share of profit from DSM Ltd. Group       | -             | (263 559)        | 20            | (277 086)        | (269 186)        |
| Accounting differences                    | (249)         | 325              | 3 221         | 588              | 2 085            |
| <b>EBIT Total Group</b>                   | <b>31 449</b> | <b>(201 802)</b> | <b>35 844</b> | <b>(166 031)</b> | <b>(242 324)</b> |
| Share of profit from other joint ventures | 1 381         | (1 162)          | 1 286         | (2 816)          | (28 405)         |
| Net financial items                       | (19 705)      | (12 683)         | (38 004)      | (23 779)         | (64 445)         |
| <b>Profit before tax Group</b>            | <b>13 124</b> | <b>(215 647)</b> | <b>(874)</b>  | <b>(192 626)</b> | <b>(335 174)</b> |

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**Note 5 | Tangible and intangible fixed assets**

| USD thousands                                     | Mobile<br>drilling units                    | Periodic<br>maintenance                   | Construction<br>in progress | Well<br>Services<br>equipment             | Machinery,<br>equipment &<br>software   | Total fixed<br>assets                       |
|---|---|---|-----------------------------|---|---|---|
| <b>Six months ended 30 June 2016</b>              |   |   |                             |   |   |   |
| Restated net book amount as at 1 January 2016     | 1 841 007                                   | 158 235                                   | -                           | 128 578                                   | 3 544                                   | 2 131 364                                   |
| Additions   | 7 546                                       | 7 979                                     | -                           | 4 497                                     | 27                                      | 20 049                                      |
| Disposals   | (425)                                       | -   | -                           | (270)                                     | -                                       | (695)                                       |
| Depreciation and amortisation                     | (45 216)                                    | (17 875)                                  | -                           | (16 140)                                  | (937)                                   | (80 169)                                    |
| Impairment  | -   | -   | -                           | -   | -                                       | -   |
| Currency translation differences                  | 482   | (2 410)                                   | -                           | 114                                       | 35                                      | (1 779)                                     |
| <b>Closing net book amount as at 30 June 2016</b> | <b style="text-align: right;">1 803 393</b> | <b style="text-align: right;">145 929</b> | <b>-</b>                    | <b style="text-align: right;">116 779</b> | <b style="text-align: right;">2 669</b> | <b style="text-align: right;">2 068 769</b> |
| <b>Six months ended 30 June 2015</b>              |   |   |                             |   |   |   |
| Opening net book amount as at 1 January 2015      | 1 391 942                                   | 73 017                                    | 694 031                     | 147 785                                   | 5 438                                   | 2 312 214                                   |
| Additions   | 5 618                                       | 21 631                                    | 40 590                      | 11 919                                    | 763                                     | 80 522                                      |
| Disposals   | -   | -   | -                           | (677)                                     | 18                                      | (659)                                       |
| Depreciation and amortisation                     | (44 368)                                    | (19 496)                                  | -                           | (17 568)                                  | (1 648)                                 | (83 080)                                    |
| Impairment  | -   | -   | -                           | -   | -                                       | -   |
| Reclassification                                  | 691 872                                     | 42 750                                    | (734 622)                   | -   | -                                       | -   |
| Currency translation differences                  | (1 741)                                     | -   | -                           | (229)                                     | (287)                                   | (2 256)                                     |
| <b>Closing net book amount as at 30 June 2015</b> | <b style="text-align: right;">2 043 324</b> | <b style="text-align: right;">117 902</b> | <b>0</b>                    | <b style="text-align: right;">141 230</b> | <b style="text-align: right;">4 284</b> | <b style="text-align: right;">2 306 741</b> |
| Useful lifetime                                   | 5 - 35 years                                | 5 years                                   | -                           | 3 - 10 years                              | 3 - 5 years                             |   |
| Depreciation schedule                             | Straight line                               | Straight line                             | -                           | Straight line                             | Straight line                           |   |

**Restatement**

Net book amount as at 1 January 2016 has been restated, see Note 2.

**Construction in progress**

Construction in progress as of 1 January 2015 relates to the construction of the drilling unit Deepsea Aberdeen, which was delivered from the yard in November 2014 and commenced drilling in the UK's West of Shetland region under a contract with BP on 21 April 2015. In Q2 2015 the rig was reclassified to the asset class *Mobile drilling units*.

**Impairment tests mobile drilling units**

Odfjell Drilling performs impairment tests on a regular basis. When evaluating the potential impairment of its mobile offshore drilling units, the Group has assessed each units' recoverable amount. Based on impairment tests performed as per 30 June 2016, the Group concluded that the recoverable amount for each of the wholly owned units is higher than the book asset value. No impairment is identified as per 30 June 2016.

## Note 5 | Tangible and intangible fixed assets - cont

The following key assumptions have been used when conducting impairment tests for mobile drilling units:

| <b>Key assumptions</b>   | <b>6G semi's</b> | <b>3G semi</b> |
|--|------------------|----------------|
| Weighted Average Cost of Capital (WACC)                            | 9,00 %           | 7,65 %         |
| Firm contract day rates  | 275-450          | 330            |
| Future normative base case day rates - 2021 and onwards - 6G units | 435              | -              |
| Future normative base case day rates - 2017 and onwards - 3G unit  | -                | 150            |
| Financial utilisation in normative period                          | 95%              | 95%            |

### Sensitivity analysis mobile drilling units

|   |        |        |         |
|---|--------|--------|---------|
| WACC increased by   | 1 ppt  | 2 pts  | 3 pts   |
| Estimated impairment write-off all 6G mobile drilling units | 10 416 | 94 914 | 176 167 |
| Day rate level decreased by                                 |        | 5 %    | 10 %    |
| Estimated impairment write-off all 6G mobile drilling units |        | 4 622  | 75 749  |
| Normative opex level increased by                           |        | 5 %    | 10 %    |
| Estimated impairment write-off all 6G mobile drilling units |        | -      | 134     |

In the sensitivity analysis, ship broker estimates of fair value in a hypothetical transaction between a willing buyer and a willing seller is used as a basis for fair value less cost to sell. The estimated impairment stated above in the different scenarios are based on the assumption that the asset will be written down to the highest of value in use and fair value less costs to sell.

| USD thousands                                     | Goodwill      | Software      | Total<br>intangible<br>assets |
|---|---------------|---------------|-------------------------------|
| <b>Six months ended 30 June 2016</b>              |               |               |                               |
| Opening net book amount as at 1 January 2016      | 18 383        | 15 417        | 33 800                        |
| Additions   | -             | 844           | 844                           |
| Disposals   | -             | -             | -                             |
| Depreciation and amortisation                     | -             | (1 246)       | (1 246)                       |
| Impairment  | -             | -             | -                             |
| Currency translation differences                  | 899           | 751           | 1 649                         |
| <b>Closing net book amount as at 30 June 2016</b> | <b>19 281</b> | <b>15 766</b> | <b>35 048</b>                 |
| <b>Six months ended 30 June 2015</b>              |               |               |                               |
| Opening net book amount as at 1 January 2015      | 21 785        | 15 211        | 36 996                        |
| Additions   | -             | 4 112         | 4 112                         |
| Disposals   | -             | -             | -                             |
| Depreciation and amortisation                     | -             | (598)         | (598)                         |
| Impairment  | -             | -             | -                             |
| Currency translation differences                  | (1 282)       | (959)         | (2 241)                       |
| <b>Closing net book amount as at 30 June 2015</b> | <b>20 504</b> | <b>17 765</b> | <b>38 269</b>                 |

\*Additions of software in 2016 and 2015 relates to new ERP software system.

## Note 5 | Tangible and intangible fixed assets - cont

### Impairment tests for goodwill

Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on updated prognosis made by management covering a five-year period. The cash flow after the five-year period is calculated by multiple valuation in the impairment model.

The key assumptions used for value-in-use calculations as per Q2 2016 are as follows:

|   | Drilling & Technology | Well Services |
|---|-----------------------|---------------|
| EBITDA margin in prognosis period       | -1.6% - +5%           | 40% - 43%     |
| Growth rate year 6 and forward          | 0.0%                  | 0.0%          |
| Weighted Average Cost of Capital (WACC) | 8.0%                  | 9.7%          |

These assumptions have been used for the analysis of each CGU within the operating segment. Impairment tests performed for goodwill for respective CGU's do not indicate any impairment requirement as per 30.06.2016.

The prognosis for the EBITDA margin in 2016 and the following years is based on past performance and expectations of market development. The company has also taken into consideration short-term effects from loss of drilling contracts and planned downsizing. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

### Sensitivity analysis for goodwill impairment test

#### Drilling & Technology segment

##### *Sensitivity analysis changes in operating income*

|                             |     |     |      |
|-----------------------------|-----|-----|------|
| Operating income reduced by | 1 % | 5 % | 10 % |
| Impairment of goodwill      | -   | -   | -    |

##### *Sensitivity analysis changes in EBITDA margin*

|                          |       |        |         |
|--------------------------|-------|--------|---------|
| EBITDA margin reduced by | 1 ppt | 5 ppts | 10 ppts |
| Impairment of goodwill   | -     | 14 953 | 14 953  |

#### Well Services segment

##### *Sensitivity analysis changes in operating income*

|                             |     |     |      |
|-----------------------------|-----|-----|------|
| Operating income reduced by | 1 % | 5 % | 10 % |
| Impairment of goodwill      | -   | -   | -    |

##### *Sensitivity analysis changes in EBITDA margin*

|                          |       |        |         |
|--------------------------|-------|--------|---------|
| EBITDA margin reduced by | 1 ppt | 5 ppts | 10 ppts |
| Impairment of goodwill   | -     | -      | -       |

## Note 6 | Commitments

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Deepsea Aberdeen was delivered from the yard in November 2014 and commenced drilling in the UK's West of Shetland region under a contract with BP on 21 April 2015. The commitments related to the new building programme are summarised in the table below:

| USD thousands | 30.06.16 | 30.06.15     | 31.12.15 |
|---------------|----------|--------------|----------|
| Due in year 1 | -        | 2 000        | -        |
| Due in year 2 | -        | -            | -        |
| <b>Total</b>  | <b>-</b> | <b>2 000</b> | <b>-</b> |

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

| USD thousands                              | 30.06.16     | 30.06.15      | 31.12.15      |
|--|--------------|---------------|---------------|
| Global Standard - New ERP solution         | -            | 1 266         | 500           |
| Rig investments*                           | 6 000        | 54 971        | 20 330        |
| Rental and casing equipment, due in 1 year | 722          | 5 273         | 3 176         |
| <b>Total</b>                               | <b>6 722</b> | <b>61 510</b> | <b>24 006</b> |

\*Rig investments as per 30.06.16 is mainly for Deepsea Stavanger investments before start-up of Wintershall contract in 2017.

## Note 7 | Paid dividends and acquisition of own shares

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The Group has not paid dividends in the interim period ending 30 June 2016.

## Note 8 | Earnings per share

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Earnings per share is based on the issued number of shares in Odfjell Drilling Ltd., which were 198 736 900 shares as per 30 June 2016. Comparative figures (EPS) are presented retrospectively based on the number of issued shares as at 30 June 2016.

## Note 9 | Financial fixed assets

| USD thousands                       | 30.06.16     | 30.06.15      | 31.12.15      |
|-------------------------------------|--------------|---------------|---------------|
| Investment in joint ventures        | 8 329        | 38 247        | 14 419        |
| Subordinated loans to associates    | -            | 1 327         | -             |
| Investment in financial instruments | -            | 320           | 386           |
| Other long term receivables         | 341          | 481           | 360           |
| Investments                         | -            | 3             | -             |
| <b>Total financial fixed assets</b> | <b>8 670</b> | <b>40 379</b> | <b>15 165</b> |

### The Group's change in total investments in joint ventures is specified as follows:

| USD thousands   | 30.06.16     | 30.06.15      | 31.12.15      |
|---|--------------|---------------|---------------|
| Opening net book amount as at beginning of the period | 14 419       | 306 763       | 306 763       |
| Investments/ Acquisitions during the year             | -            | 21 170        | 25 525        |
| Repayment of capital                                  | (7 920)      | -             | -             |
| Divestments during the year                           | -            | (8 709)       | -             |
| Share of profits                                      | 1 306        | (244 883)     | (245 969)     |
| Share of OCI result                                   | -            | 172           | 172           |
| Impairment write-off of investment in joint venture   | -            | (35 020)      | (60 331)      |
| Other changes   | -            | -             | (8 709)       |
| Currency translation differences                      | 524          | (1 247)       | (3 032)       |
| <b>Closing net book amount as at end of period</b>    | <b>8 329</b> | <b>38 247</b> | <b>14 419</b> |

### The Group's change in investment in Deep Sea Metro Group Ltd. is specified as follows:

| USD thousands   | 30.06.16 | 30.06.15  | 31.12.15     |
|---|----------|-----------|--------------|
| Opening net book amount as at beginning of the period | 7 900    | 276 908   | 276 908      |
| Repayment of capital                                  | (7 920)  | -         | -            |
| Share of profits                                      | 20       | (242 066) | (242 066)    |
| Share of OCI result                                   | -        | 167       | 167          |
| Impairment write-off of investment in joint venture   | -        | (35 020)  | (27 120)     |
| Currency translation differences                      | -        | 12        | 12           |
| <b>Closing net book amount as at end of period</b>    | <b>-</b> | <b>-</b>  | <b>7 900</b> |

## Note 9 | Financial fixed assets - cont.

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Share of profit/loss from other joint ventures are presented below EBIT due to not being a part of the Group's core operational activities, but recognised as financial investments.

**The Group's change in investments in other joint ventures is specified as follows:**

| USD thousands   | 31.03.16     | 30.06.15      | 31.12.15     |
|---|--------------|---------------|--------------|
| Opening net book amount as at beginning of the period | 6 519        | 29 856        | 29 856       |
| Investments/ Acquisitions during the year             | -            | 21 170        | 25 525       |
| Divestments during the year                           | -            | (8 709)       | (8 709)      |
| Share of profits                                      | 1 286        | (2 817)       | (3 903)      |
| Share of OCI result                                   | -            | 5             | 6            |
| Impairment write-off of investment in joint venture   | -            | -             | (33 211)     |
| Currency translation differences                      | 524          | (1 259)       | (3 044)      |
| <b>Closing net book amount as at end of period</b>    | <b>8 329</b> | <b>38 247</b> | <b>6 519</b> |

**The Group's book value of other joint ventures:**

|                                   | Guarapari<br>Drilling BV | Siri Drilling<br>BV | Itaoca<br>Drilling BV | Robotic<br>Drilling<br>Systems AS | Total |
|-----------------------------------|--------------------------|---------------------|-----------------------|-----------------------------------|-------|
| <b>Book value at 30 June 2016</b> | -                        | -                   | -                     | 8 329                             | 8 329 |

## Note 10 | Borrowings

| USD thousands | 30.06.16         | 30.06.15         | 31.12.15         |
|---------------|------------------|------------------|------------------|
| Non current   | 483 255          | 1 466 585        | 878 664          |
| Current       | 996 901          | 239 502          | 718 360          |
| <b>Total</b>  | <b>1 480 156</b> | <b>1 706 087</b> | <b>1 597 024</b> |

Movements in non-current borrowings are analysed as follows:

### Six months ended 30 June 2016

|   |                |
|---|----------------|
| Opening amount as at 1 January 2016                       | 878 664        |
| New bank loan raised                                      | -              |
| Repayment bank loan                                       | -              |
| Reclassified to current portion of non-current borrowings | (397 516)      |
| Change in transaction cost, unamortised                   | 2 107          |
| <b>Closing amount as at 30 June 2016</b>                  | <b>483 255</b> |

### Six months ended 30 June 2015

|   |                  |
|---|------------------|
| Opening amount as at 1 January 2015                       | 1 470 723        |
| New bank loan raised                                      | 110 000          |
| Repayment bank loan                                       | -                |
| Reclassified to current portion of non-current borrowings | (118 000)        |
| Change in transaction cost, unamortised                   | 3 863            |
| <b>Closing amount as at 30 June 2015</b>                  | <b>1 466 585</b> |

| Repayment bank loan year to date              | 30.06.16       | 30.06.15       | 31.12.15       |
|---|----------------|----------------|----------------|
| Repayment of non-current portion bank loan    | -              | -              | -              |
| Repayment of current portion bank loan        | 119 000        | 112 000        | 224 000        |
| <b>Total repayment bank loan year to date</b> | <b>119 000</b> | <b>112 000</b> | <b>224 000</b> |

| Repayment schedule for interest-bearing debt | Q3 16         | Q4 16          | Q1 17         | Q2 17         |
|--|---------------|----------------|---------------|---------------|
| Bank borrowings                              | 38 000        | 556 000        | 14 000        | 57 000        |
| <b>Total per 30.06.2016</b>                  | <b>38 000</b> | <b>556 000</b> | <b>14 000</b> | <b>57 000</b> |

| Repayment schedule for interest-bearing debt | Q3-Q4 2017    | 2018           | 2019           | 2020 =>        |
|--|---------------|----------------|----------------|----------------|
| Bank borrowings                              | 73 000        | 143 000        | 322 000        | 289 000        |
| <b>Total per 30.06.2016</b>                  | <b>73 000</b> | <b>143 000</b> | <b>322 000</b> | <b>289 000</b> |

At 30 June 2016, USD 525 million was outstanding under the USD 950 million senior secured term loan facility agreement entered into in November 2011. The quarterly installments are USD 25 million and the loan matures in November 2016. As the loan matures within a twelve month period it has been classified as short-term at the balance date.

On 24 August 2016, Odfjell Drilling Ltd. Group received a firm offer from DNB Bank ASA, as facility agent on behalf of the lenders, to refinance the senior secured term loan facility that matures in November 2016.

The new loan facility will be of USD 525 million, the same amount as was outstanding under the existing facility as at 30 June 2016. The facility is to be repaid by quarterly installments of USD 12.5 million, first time in Q1 2017. The facility will have a tenor of 3 years from drawdown which is scheduled for September.

The group has no available undrawn facilities as per 30 June 2016.

## Note 10 | Borrowings - cont.

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### Covenants

As at 30 June 2016, the Group had consent from its lenders to reduce the equity ratio financial covenant from 35% to 28% for all of the Group's debt facilities for a period until and including the financial quarter ending on 31 December 2016.

As per 30 June 2016 the equity ratio was 32%.

Odfjell Drilling has on 24 August 2016 agreed with its lenders to amend financial covenants applicable to the Odfjell Drilling group across all its credit facilities. The group financial covenants which have been adjusted are the following:

- Leverage ratio (net debt to ebitda) of maximum 6.0x through 2016, maximum 5.5x through 2017 and maximum 5.0x thereafter;
- Equity ratio (book equity to total assets) of minimum 30%.

In addition, Odfjell Drilling Services Ltd., a subsidiary of Odfjell Drilling Ltd., has agreed with its lenders to amend its financial covenants by replacing the leverage ratio covenant applicable to the Odfjell Drilling Services group with a debt service coverage ratio (ebitda to debt service) of minimum 1.1x.

Odfjell Drilling Services Ltd., a subsidiary of Odfjell Drilling Ltd., was on 15 August 2016 granted a waiver by the lenders for its non-compliance with the leverage ratio covenant applicable as at 30 June 2016. USD 326 million has been reclassified as short term debt as at 30 June 2016.

Further, Odfjell Rig II Ltd. and Odfjell Rig III Ltd., both subsidiaries of Odfjell Drilling Ltd. and also the respective owners of the mobile drilling units Deepsea Bergen and Deepsea Aberdeen, did not comply with their respective minimum value requirements as at 30 June 2016. The valuation short-fall will be corrected through scheduled installments that take place within the redemption period. No reclassifications to short term debt have been made as at 30 June 2016.

## Note 11 | Income taxes

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Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

| USD thousands                               | Q2 16          | Q2 15          | YTD 16         | YTD 15          | FY 15           |
|---|----------------|----------------|----------------|-----------------|-----------------|
| Withholding tax, ordinary taxation          | (543)          | (4 319)        | (1 430)        | (8 195)         | (14 639)        |
| Tax payable, ordinary taxation              | (3 847)        | (3 095)        | (5 116)        | (3 879)         | (19 790)        |
| Change in deferred tax, ordinary taxation   | 6              | (910)          | (2 800)        | (1 532)         | 4 096           |
| <b>Total tax expense current year items</b> | <b>(4 384)</b> | <b>(8 324)</b> | <b>(9 346)</b> | <b>(13 605)</b> | <b>(30 333)</b> |
| Estimated average annual tax rate           | 33%            | (4%)           | (1069%)        | (7%)            | (9%)            |
| Tax payable prior years, tax court verdict  | -              | -              | -              | -               | 30 537          |
| Change in deferred tax, tax court verdict   | -              | -              | -              | -               | 15 537          |
| <b>Total tax income / (expense)</b>         | <b>(4 384)</b> | <b>(8 324)</b> | <b>(9 346)</b> | <b>(13 605)</b> | <b>15 741</b>   |
| Average tax rate                            | 33%            | (4%)           | (1069%)        | (7%)            | 5%              |

Tax payable, ordinary taxation is the best estimate of tax payable based on ordinary profit and loss in the respective jurisdictions with applicable tax rates.

The decrease in withholding tax from 2015 to 2016 is mainly due to no revenue in 2016 from the drilling contract in Angola, which ended in November 2015.

Change in average tax rate from 2015 to 2016 is mainly affected by losses during 2016 in companies located in jurisdictions with tax exemptions.

## Note 12 | Contingencies

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There are no material contingencies to be disclosed as per 30 June 2016.

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## Note 13 | Equity & shareholder information

| Largest shareholders at 31 March 2016 | Holding            | % of total      |
|---------------------------------------|--------------------|-----------------|
| Odfjell Partners Ltd.                 | 142 000 000        | 71.45 %         |
| Fidelity Select Portfolios: Energy    | 6 702 292          | 3.37 %          |
| Deutsche Bank AG                      | 6 450 000          | 3.25 %          |
| J.P.Morgan Chase Bank N.A. London     | 5 896 622          | 2.97 %          |
| State Street Bank and Trust Co.       | 3 116 432          | 1.57 %          |
| RBC Investor Services Trust           | 2 000 000          | 1.01 %          |
| Fidelity Select Portfolios: Energy    | 1 539 580          | 0.77 %          |
| State Street Bank and Trust Co.       | 1 434 983          | 0.72 %          |
| Eika Norge                            | 1 321 398          | 0.66 %          |
| Danske Bank AS                        | 1 215 553          | 0.61 %          |
| Lieungh, Simen                        | 952 381            | 0.48 %          |
| Ulsmo Finans AS                       | 950 272            | 0.48 %          |
| VPF Nordea Kapital                    | 777 985            | 0.39 %          |
| FSP - Natural Resources               | 701 200            | 0.35 %          |
| The Bank of New York Mellon SA/NV     | 647 701            | 0.33 %          |
| Jolly Roger AS                        | 637 373            | 0.32 %          |
| Aanderud-Larsen, Tor                  | 620 489            | 0.31 %          |
| Cipi Lamp Ucits Swedbank SMB          | 600 000            | 0.30 %          |
| Fidelity Advisor Natural Resources    | 567 856            | 0.29 %          |
| Sølvvis Holding AS                    | 550 000            | 0.28 %          |
| <b>Total 20 largest shareholders</b>  | <b>178 682 117</b> | <b>89.91 %</b>  |
| Other shareholders                    | 20 054 783         | 10.09 %         |
| <b>Total shareholders</b>             | <b>198 736 900</b> | <b>100.00 %</b> |

Helene Odfjell controls through Odfjell Partners Ltd. 71.45% of the shares and the CEO controls 0.48% of the shares in Odfjell Drilling Ltd.

The Chairman of the board of directors, Carl-Erik Haavaldsen, has a significant ownership in Cenor Ltd., which owns 19 047 shares in Odfjell Drilling Ltd.

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## Note 14 | Net financial items

| USD thousands                        | Q2 16           | Q2 15           | YTD 16          | YTD 15          | FY 15           |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income                      | 353             | 401             | 572             | 650             | 2 428           |
| Interest income from related parties | -               | -               | -               | -               | 67              |
| Interest expense                     | (14 860)        | (16 235)        | (29 937)        | (28 359)        | (62 284)        |
| Other borrowing expenses             | (1 939)         | (1 993)         | (3 937)         | (3 960)         | (7 872)         |
| Gain/(loss) on interest rate swaps   | (228)           | 2 760           | (1 186)         | 4 035           | 7 438           |
| Net currency gain/(loss)             | (2 686)         | 3 617           | (2 840)         | 5 857           | (855)           |
| Other financial items                | (345)           | (1 232)         | (678)           | (2 002)         | (3 367)         |
| <b>Net financial items</b>           | <b>(19 705)</b> | <b>(12 683)</b> | <b>(38 004)</b> | <b>(23 779)</b> | <b>(64 445)</b> |

## Note 15 | Related-party transactions

Odfjell Drilling Ltd. is controlled by Odfjell Partners Ltd., which owns 71.45% of the shares. Helene Odfjell controls Odfjell Partners Ltd. Simen Lieungh controls 0.48% of the shares in the company as per 30 June 2016.

### The Group had the following material transactions with related parties:

| USD thousands  | Q2 16        | Q2 15         | YTD 16        | YTD 15        | FY 15         |
|--|--------------|---------------|---------------|---------------|---------------|
| <b>Sales of services:</b>  |              |               |               |               |               |
| - Deep Sea Metro Ltd. Group                                      | 5 842        | 10 877        | 19 204        | 24 287        | 41 186        |
| <b>Total</b>   | <b>5 842</b> | <b>10 877</b> | <b>19 204</b> | <b>24 287</b> | <b>41 186</b> |
| <b>Operating expenses:</b>                                       |              |               |               |               |               |
| - Kokstad Holding AS Group (controlled by Odfjell Partners Ltd.) | 1 618        | 597           | 2 688         | 937           | 1 614         |
| <b>Total</b>   | <b>1 618</b> | <b>597</b>    | <b>2 688</b>  | <b>937</b>    | <b>1 614</b>  |

### The Group had the following receivables and liabilities with related parties:

| USD thousands               | 30.06.16     | 30.06.15     | 31.12.15     |
|-----------------------------|--------------|--------------|--------------|
| <b>Current receivables:</b> |              |              |              |
| - Deep Sea Metro Ltd. Group | 3 054        | 4 526        | 3 490        |
| <b>Total</b>                | <b>3 054</b> | <b>4 526</b> | <b>3 490</b> |
| <b>Current liabilities:</b> |              |              |              |
| - Deep Sea Metro Ltd. Group | 3 570        | 3 483        | 8 568        |
| <b>Total</b>                | <b>3 570</b> | <b>3 483</b> | <b>8 568</b> |

## Note 16 - Important events occurring after the reporting period

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Odfjell Invest Ltd., a subsidiary of Odfjell Drilling Ltd. and holding company of the rig-owning entities of Deepsea Atlantic and Deepsea Stavanger, received on 24 August 2016 a firm offer from DNB Bank ASA, as facility agent on behalf of the lenders, to refinance the senior secured term loan facility that matures in November 2016.

The new loan facility will be of USD 525 million, the same amount as was outstanding under the existing facility as at 30 June 2016. The facility is to be repaid by quarterly installments of USD 12.5 million, first time in Q1 2017, and interest will be payable at 415 basis points above LIBOR. The facility will have a tenor of 3 years from drawdown which is scheduled for September.

Odfjell Drilling has also agreed with its lenders to amend financial covenants applicable to the Odfjell Drilling group across all its credit facilities. The group financial covenants which have been adjusted are the following:

- Leverage ratio (net debt to ebitda) of maximum 6.0x through 2016, maximum 5.5x through 2017 and maximum 5.0x thereafter;
- Equity ratio (book equity to total assets) of minimum 30%.

In addition, Odfjell Drilling Services Ltd., a subsidiary of Odfjell Drilling Ltd., has agreed with its lenders to amend its financial covenants by replacing the leverage ratio covenant applicable to the Odfjell Drilling Services group with a debt service coverage ratio (ebitda to

There have been no other events after the balance date with material effect for the quarterly financial statements ended 30 June 2016.

## Responsibility statement

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We confirm, to the best of our knowledge, that the condensed set of consolidated financial statements for the period 1 January to 30 June 2016 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the six months of the financial year and their impact on the condensed set of consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major transactions with related parties.

Bermuda, 24 August 2016  
Board of Directors of Odfjell Drilling Ltd.

\_\_\_\_\_  
Carl-Erik Haavaldsen  
Chairman  
(Sign.)

\_\_\_\_\_  
Helene Odfjell  
Director  
(Sign.)

\_\_\_\_\_  
Kirk L. Davis  
Director  
(Sign.)

\_\_\_\_\_  
Henry Hamilton III  
Director  
(Sign.)

\_\_\_\_\_  
Bengt Lie Hansen  
Director  
(Sign.)