



# **AWILCO DRILLING**

## **Q2 2018 PRESENTATION**

*Oslo, 15<sup>th</sup> of August 2018*

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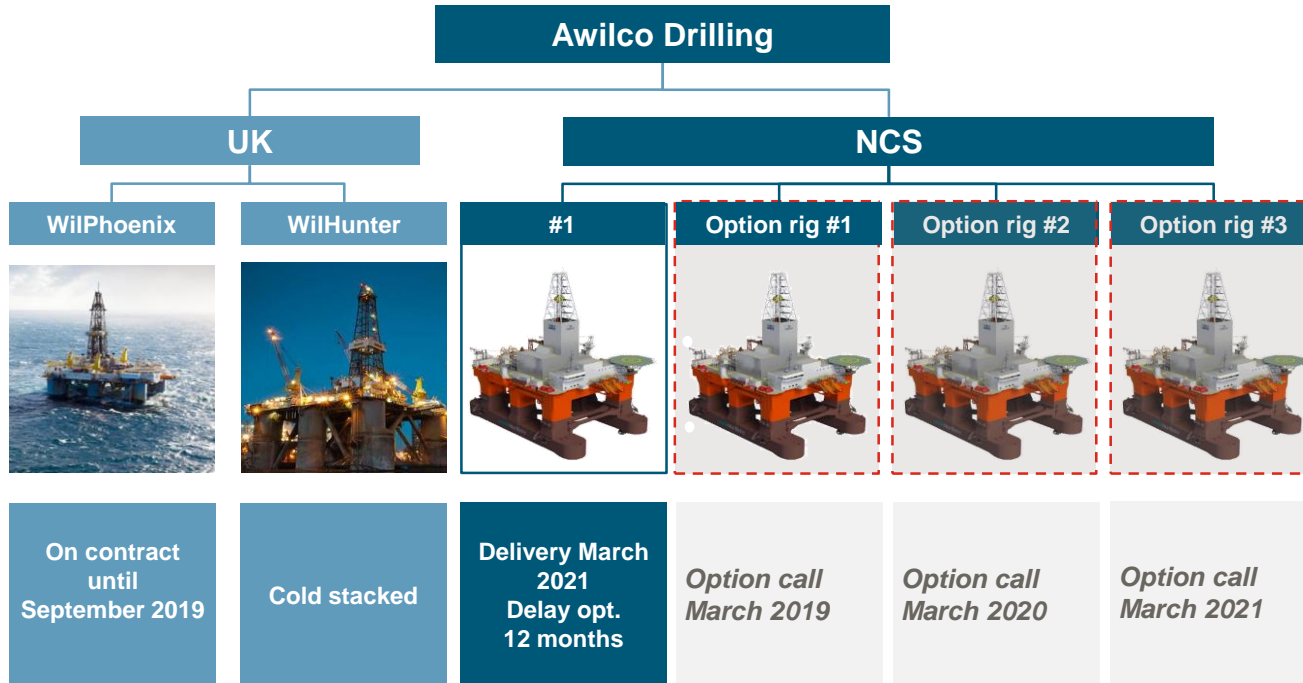


# AGENDA

- 1. Highlights*
- 2. Q2 2018 Financial Results*
- 3. Operational Update*
- 4. Market Outlook*
- 5. Summary*
- 6. Q&A*



# TRANSFORMING THE COMPANY THROUGH A NEWBUILDING PROGRAMME



# 1. HIGHLIGHTS





# HIGHLIGHTS

- Total Q2 Revenue USD 9 million; EBITDA loss of USD 1.9 million, Net Loss of USD 7.6 million
- Q2 Opex average for WilPhoenix approx. USD 80 300 per day
- Shell exercised an option, increasing the firm contract backlog from approx. 330 days to 380 days
- Exercised call option and settled the secured bond
- Announcement of dividend suspension
- Applied for transfer from the Oslo Axess to the Oslo Stock Exchange main list



## 2. Q2 2018 FINANCIAL RESULTS



# Q2 2018 INCOME STATEMENT

## Condensed statement of comprehensive income

in USD thousands, except earnings per share

	Q2 2018	YTD	Q2 2017	YTD
	(unaudited)	30.06.18 (unaudited)	(unaudited)	30.06.17 (unaudited)
Contract revenue	8,927	42,686	33,149	64,796
Reimbursables	67	411	336	632
Other revenue	2	2	6	12
	<u>8,996</u>	<u>43,099</u>	<u>33,491</u>	<u>65,440</u>
Rig operating expenses	7,440	14,663	6,319	12,440
Reimbursables	30	172	86	128
General and administrative expenses	3,445	6,228	2,484	3,496
Depreciation	3,146	6,548	3,913	7,762
	<u>14,061</u>	<u>27,611</u>	<u>12,802</u>	<u>23,826</u>
Operating (loss)/profit	<u>(5,065)</u>	<u>15,488</u>	<u>20,689</u>	<u>41,614</u>
Interest income	506	1,056	66	98
Interest expense	(3,025)	(4,667)	(1,687)	(3,504)
Other financial items	19	378	(191)	(5)
Net financial items	<u>(2,500)</u>	<u>(3,233)</u>	<u>(1,812)</u>	<u>(3,411)</u>
(Loss)/profit before tax	<u>(7,565)</u>	<u>12,255</u>	<u>18,877</u>	<u>38,203</u>
Tax expense	(50)	(756)	(3,807)	(7,331)
Net (loss)/profit	<u>(7,615)</u>	<u>11,499</u>	<u>15,070</u>	<u>30,872</u>
Total comprehensive (loss)/income	<u>(7,615)</u>	<u>11,499</u>	<u>15,070</u>	<u>30,872</u>
Attributable to shareholders of the parent	(7,615)	11,499	15,070	30,872
Basic and diluted earnings per share	(0.16)	0.29	0.50	1.03





# Q2 2018 BALANCE SHEET

## Condensed statement of financial position

in USD thousands

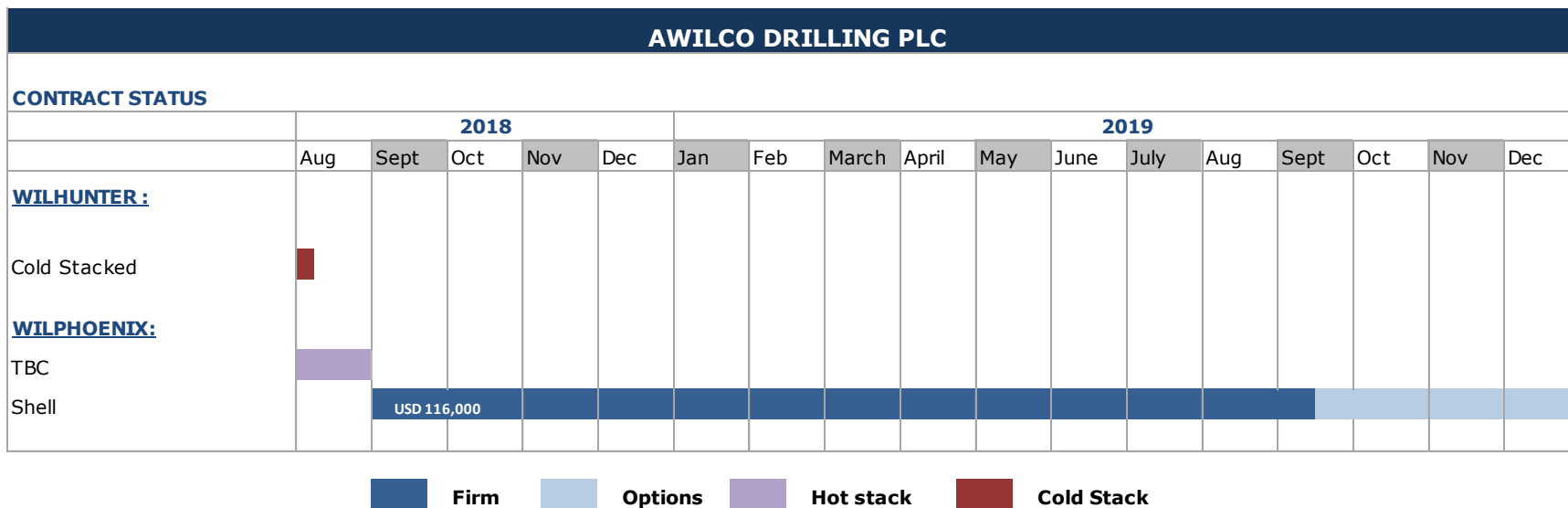
	30.06.2018	31.12.2017
	(unaudited)	(audited)
Rigs, machinery and equipment	215,182	178,808
Deferred tax asset	1,435	1,372
	<u>216,617</u>	<u>180,180</u>
Trade and other receivables	-	17,168
Prepayments and accrued revenue	1,021	6,905
Inventory	4,958	4,809
Cash and cash equivalents	75,787	119,286
Current tax	5,995	3,551
	<u>87,761</u>	<u>151,719</u>
<b>Total assets</b>	<b><u>304,378</u></b>	<b><u>331,899</u></b>
Paid in capital	198,719	130,142
Retained earnings	97,035	101,068
	<u>295,754</u>	<u>231,210</u>
Long-term interest-bearing debt	-	80,000
	<u>-</u>	<u>80,000</u>
Current portion of long-term debt	-	10,000
Trade and other creditors	1,068	1,170
Accruals and provisions	7,556	9,519
	<u>8,624</u>	<u>20,689</u>
<b>Total equity and liabilities</b>	<b><u>304,378</u></b>	<b><u>331,899</u></b>



### 3. OPERATIONAL UPDATE



# WILPHOENIX CONTRACTED UNTIL AT LEAST SEPT. 2019

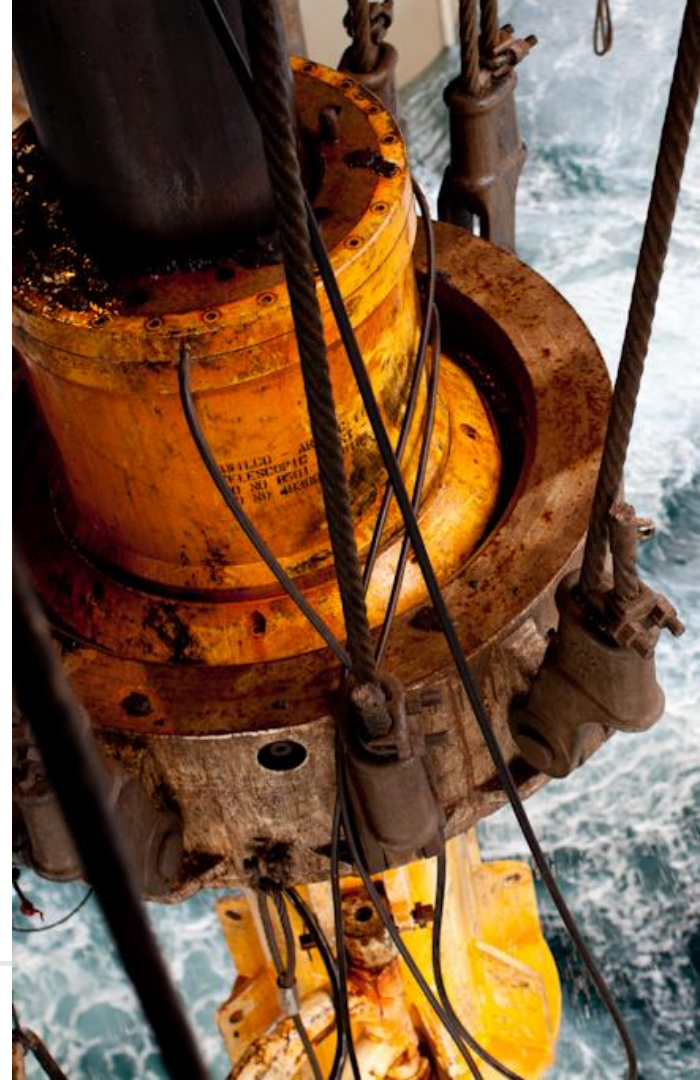


# OPERATIONS AND NEWBUILD UPDATE

- Apache contract successfully completed on 25<sup>th</sup> April
- WilPhoenix subsequently hot stacked in Invergordon
- Preparations for the Shell contract ongoing
- Shell exercised one option, extending the firm part of the contract to approximately 380 days

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- Newbuild project – site team continuing to ramp-up
- Marketing activities towards NCS oil companies ongoing
- Building an Awilco Drilling organisation in Norway



# DIVIDEND DISTRIBUTION SUSPENDED

- The company's dividend policy has been to pay a quarterly dividend in support of its main objective to maximize returns to shareholders. All of the Company's free cash flow was distributed subject to maintaining a robust cash buffer to support working capital requirements, planned capital expenditure and uncertain future market prospects
- Since June 2013 Awilco Drilling has consistently paid a quarterly dividend and during this time has distributed USD 12.00 (NOK 83.22) per share in this respect.
- With the ordering of one new-build high-end semi submersible rig in March this year, plus an agreement for a further three independent rig options, the Company is now in a growth and investment phase.
- The Board of Directors has, therefore, decided to suspend the dividend and will resume same when the Company again reaches an appropriate free cash flow situation.

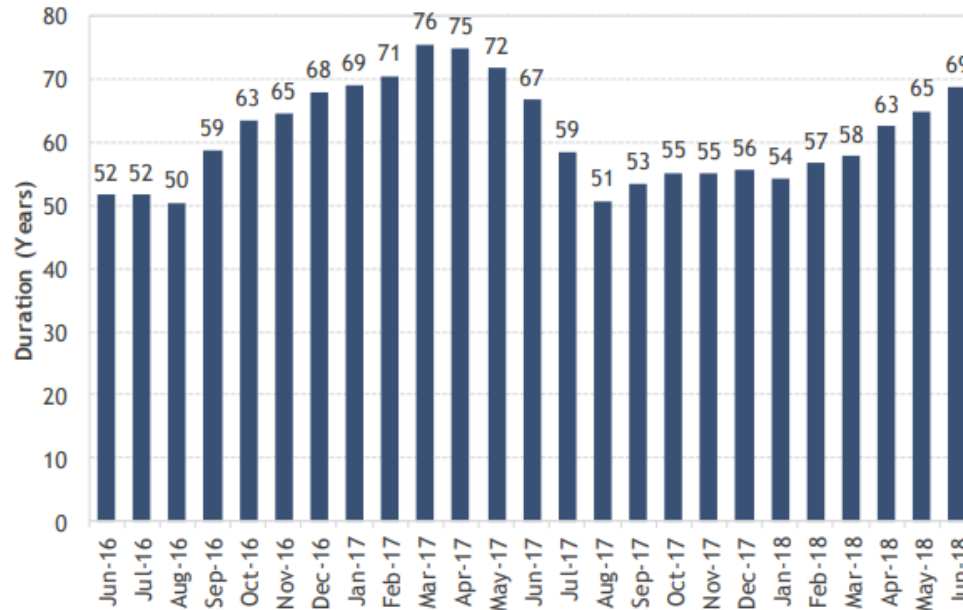


## 4. MARKET OUTLOOK

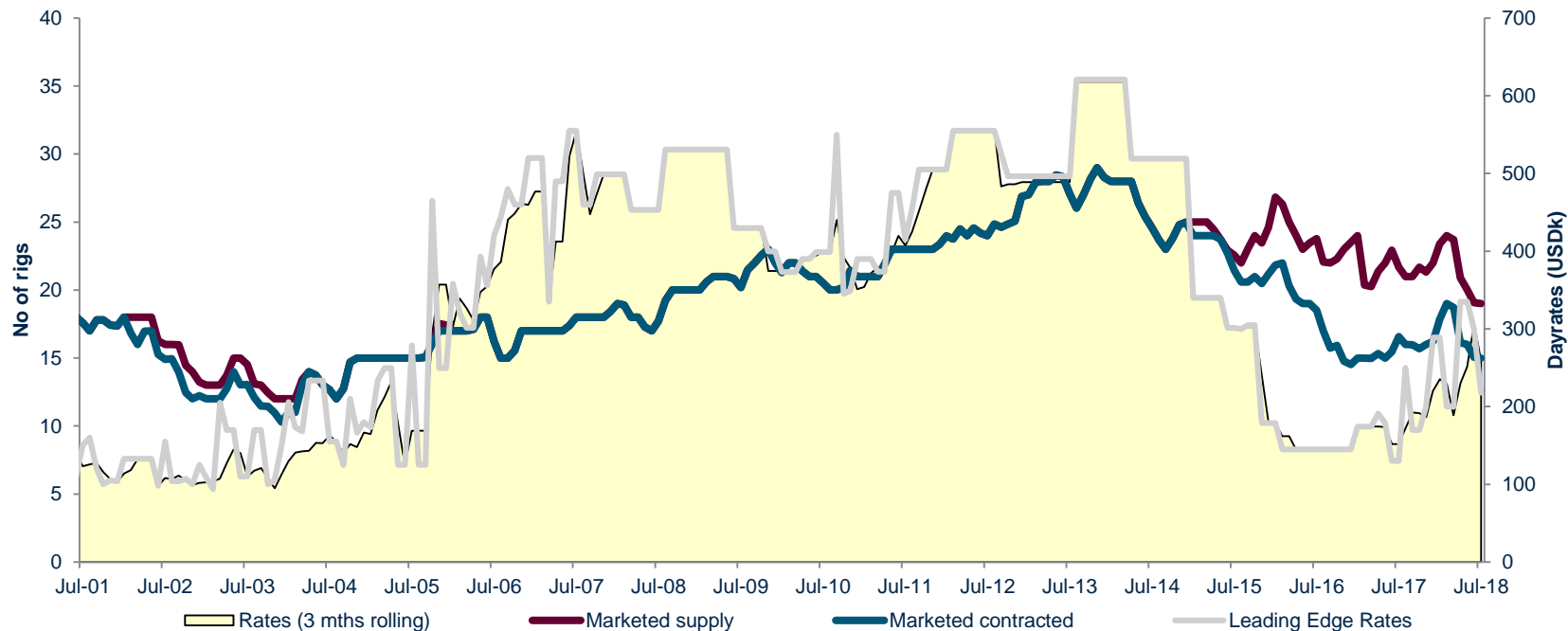


# IMPROVED GLOBAL FLOATER TENDER ACTIVITY AND FURTHER INCREASE ANTICIPATED

*Demand for floating rigs, June/16 – June/18*



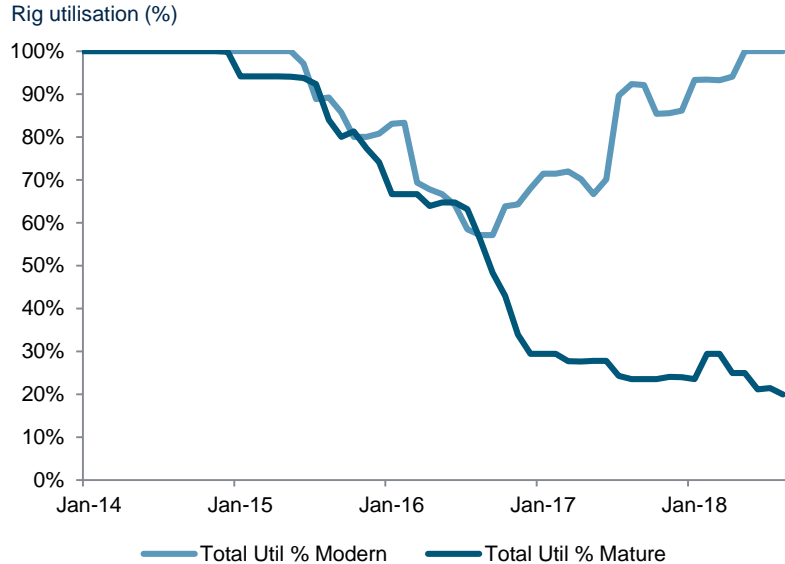
# THE NORWEGIAN FLOATER MARKET HAS BOTTOMED OUT...



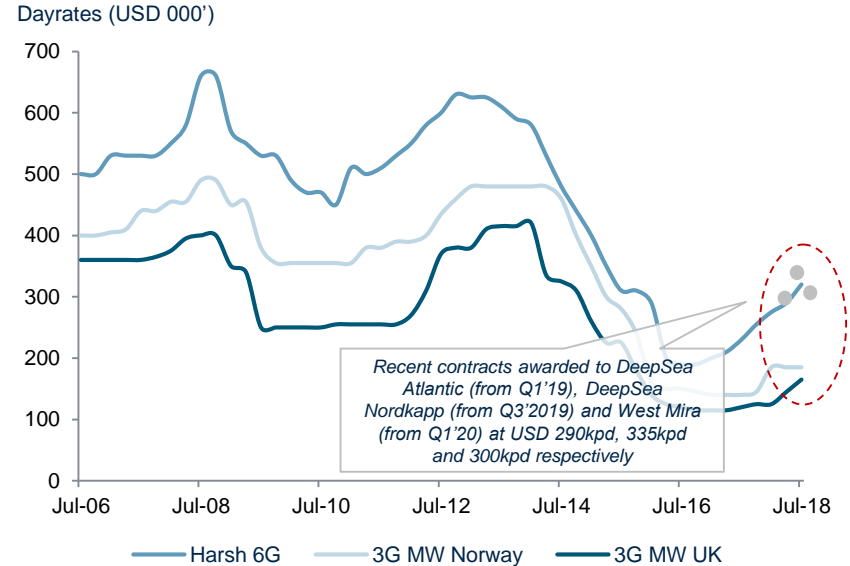


# ...HOWEVER, THERE IS DIFFERENCE BETWEEN SEGMENTS

## Rig utilisation – modern vs. old rigs (Norway)



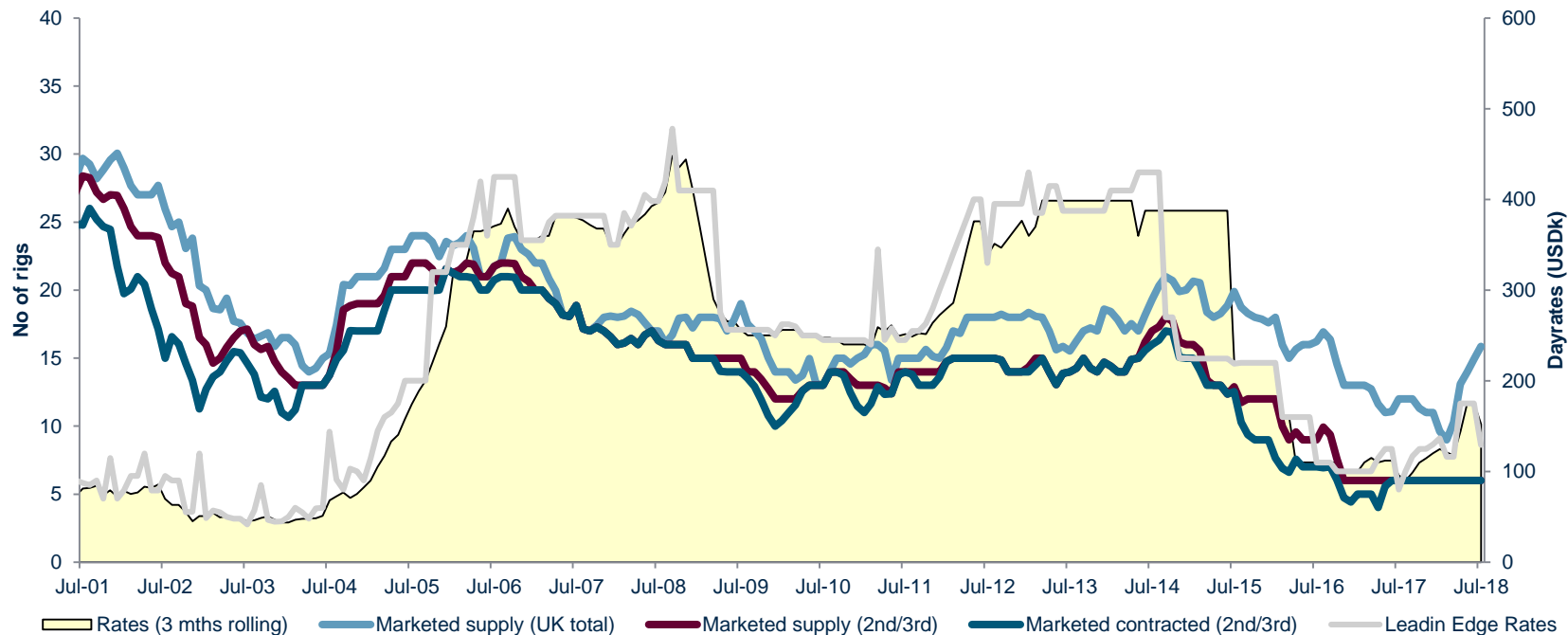
## Dayrates – 6G vs. 3G rigs



*Clear market preference for modern high spec rigs demonstrated in utilisation bifurcation*



# THE UK MARKET ALSO IMPROVING, BUT STILL SEASONAL



# INCREASED MARKET ACTIVITY IN BOTH UK AND NORWAY

- Global rig supply has reduced through continued attrition, helping to rebalance the market
- Overall rig demand outlook continues to improve
- Fleet contract utilization is improving
- Seasonality is still, however, likely to prevail in UK through to 2019/2020
- Rig dayrates improving, especially in the high-end segment
- The financial markets continue to support the funding of new asset acquisitions



## 5. SUMMARY



# AWILCO DRILLING WELL POSITIONED TO CAPITALISE ON A RECOVERING MARKET IN THE NORTH SEA

- Transforming the Company at the bottom of the cycle through newbuild programme
- Dividend payments suspended due to the Company moving into a growth and investment phase
- WilPhoenix contracted to Shell until at least September 2019
- The market is improving
- Evaluating further growth opportunities on a case-by-case basis



Q&A



**AWILCO DRILLING**