



FIRST QUARTER 2018

**Awilco Drilling PLC is a UK based offshore drilling company owning and operating two semi submersible drilling rigs. The Company has also ordered one new build rig of Moss CS60 ECO MW design equipped for drilling in harsh environments. The Company is listed at the Oslo Stock Exchange (Oslo Axess) under the ticker code AWDR.**

### Q1 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 34.1 million (USD 33.9 million in Q4 2017), EBITDA USD 24.0 million (USD 24.5 million in Q4 2017) and net profit of USD 19.1 million (USD 16.9 million loss in Q4 2017).
- Revenue efficiency was 98.0% during the quarter (95.2 % in Q4 2017).
- Contract utilisation was 50.0% during the quarter, (50 % in Q4 2017).
- Contract backlog at the end of Q1 was approximately USD 7.6 million (approximately USD 41 million Q4 2017).
- During the quarter, a contract was signed with Keppel FELS shipyard in Singapore for the building of one new CS60 ECO MW semisubmersible drilling rig, with options to build up to three additional rigs, such options to be independent of each other.
- The Board approved a dividend distribution payable in Q2 2018 of USD 0.20 per share. The shares will trade ex-dividend on 22 May 2018, the record date is 23 May 2018 and the payment date is on or around 22 June 2018.

### Key financial figures:

In USD million, except EPS

USD million	Q1 2018	Q4 2017	Q3 2017	2017
Contract revenue	34.1	33.9	32.4	131.7
Operating expenses	7.2	7.2	8.1	27.8
EBITDA	24.0	24.5	20.9	94.8
Net profit/(loss)	19.1	(16.9)	14.2	28.2
EPS	0.62	(0.56)	0.47	0.94
Total assets	409.6	331.9	368.8	331.9
Total equity	308.2	231.2	254.1	231.2
Interest bearing debt	90.0	90.0	95.0	90.0
Gearing ratio	-0.8%	-14.5%	-8.9%	-14.5%

## **Financial Results – Quarter 1, 2018**

At the end of Q1 2018, the WilPhoenix was in operations for Apache North Sea Ltd at the Garten location and the WilHunter was cold stacked in Invergordon.

### Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the first quarter 2018 of USD 19.1 million.

Revenue earned in the first quarter was USD 34.1 million.

In the first quarter Awilco Drilling had rig operating expenses of USD 7.2 million. General and administration expenses were USD 2.8 million. This includes USD 0.6 million in respect of the stock award of synthetic stock options. The stock award provision is restated each quarter based on the valuation of the Company's shares.

EBITDA for the first quarter was USD 24.0 million while the operating profit was USD 20.6 million.

Interest expense amounted to USD 1.6 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 19.8 million. The tax expense for the quarter was USD 0.7 million resulting in a net profit of USD 19.1 million. Earnings per share (EPS) for the first quarter were USD 0.62.

In late March 2018, a private placement of 17,600,000 shares was carried out. After the issue, the total share capital of Awilco Drilling is GBP 309,604.75 divided into 47,631,500 shares, up from GBP 195,204.75 divided into 30,031,500 shares as at the end of 2017.

In addition, a subsequent offering of up to 1,400,000 shares will be carried out once a prospectus is approved by the Norwegian Financial Supervisory Authority, expected to be around late May 2018. The purpose of the share issue was to fund the deposit on the new build rig.

### Statement on financial position

As of 31 March 2018, total assets amounted to USD 409.6 million. At the same date, Awilco Drilling had USD 92.5 million in cash and cash equivalents.

## **Operations and Contract Status**

### WilPhoenix

In Q1 2018 the WilPhoenix was in continued operations for Apache North Sea Ltd at the Val D'Isere location before moving to the Garten location where it remained through the end of the quarter. On 5 April 2018 the rig moved to the N11A abandonment well and finished operations with the Apache contract on 25 April 2018.

Revenue efficiency for the quarter was 98.0%. Contract utilisation was 100%.

At the end of March, WilPhoenix had a total remaining contract backlog of approximately USD 7.6 million.

### WilHunter

During Q1 2018 the WilHunter was cold stacked in Invergordon.

### **Capital Requirements and Dividend**

The Company's intention is to pay a quarterly dividend in support of its main objective to maximise returns to shareholders. All of the Company's free cash flow is intended to be distributed subject to maintaining a robust cash buffer to support working capital requirements, planned capital expenditure and uncertain future market prospects. In view of the Company's new building programme, the Board intends to review the future dividend policy.

### **Organisation**

At the end of Q1 2018, Awilco Drilling's Aberdeen based employees numbered 26 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 116 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

### **Market Outlook**

AWDR sees limited further opportunities in the UK in 2018 but enquiries suggest that demand in 2019 will be incrementally higher than this year. Lower levels of winter utilisation are however likely to persist into 2020. Attrition in the harsh environment mid-water space continues and this coupled with stable commodity pricing and forecast decommissioning demand is expected to underpin higher future levels of utilization. In the NCS Ultra Harsh Environment space, fixture activity, rate development and asset transaction values are supportive of AWDR's long term view of this market.

### **Statement of Responsibility**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first quarter of 2018, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Aberdeen, 8 May, 2018

The Board of Directors of Awilco Drilling PLC

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### **Company background**

*Awilco Drilling was incorporated in December 2009. Awilco Drilling owns two semi submersible drilling rigs; WilPhoenix built in 1982 and upgraded in 2011 and WilHunter built in 1983 and upgraded in 1999 and 2011.*

*Awilco Drilling was listed on the Oslo Stock Exchange (Oslo Axxess) in June 2011 under ticker code AWDR. Awilco Drilling's headquarters are located in Aberdeen, UK.*

*The total number of outstanding shares of Awilco Drilling at the date of this report is 47 631 500.*

[www.awilcodrilling.com](http://www.awilcodrilling.com)

### **Forward Looking Statements**

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are sometimes, but not always, identified by such phrases as “will”, “expects”, “is expected to”, “should”, “may”, “is likely to”, “intends” and “believes”. These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Awilco Drilling’s examination of historical operating trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing on favourable terms, changes of the spending plan of our customers, changes in the Company’s operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our report.

**Condensed statement of comprehensive income**

in USD thousands, except earnings per share

	Q1 2018 (unaudited)	Q1 2017 (unaudited)
Contract revenue	33,759	31,647
Reimbursables	343	296
Other revenue	1	6
	<u>34,103</u>	<u>31,949</u>
Rig operating expenses	7,223	6,122
Reimbursables	141	42
General and administrative expenses	2,782	1,013
Depreciation	3,402	3,848
	<u>13,548</u>	<u>11,025</u>
Operating profit	<u>20,555</u>	<u>20,924</u>
Interest income	550	32
Interest expense	(1,642)	(1,817)
Other financial items	358	185
Net financial items	<u>(734)</u>	<u>(1,600)</u>
Profit before tax	19,821	19,324
Tax expense	(706)	(3,523)
Net profit	<u>19,115</u>	<u>15,801</u>
Total comprehensive income	<u>19,115</u>	<u>15,801</u>
Attributable to shareholders of the parent	19,115	15,801
Basic and diluted earnings per share	0.62	0.53

## Condensed statement of financial position

in USD thousands

	31.03.2018	31.12.2017
	(unaudited)	(audited)
Rigs, machinery and equipment	217,935	178,808
Deferred tax asset	1,483	1,372
	<u>219,418</u>	<u>180,180</u>
Trade and other receivables	73,837	17,168
Prepayments and accrued revenue	13,173	6,905
Inventory	4,809	4,809
Cash and cash equivalents	92,472	119,286
Current tax	5,903	3,551
	<u>190,194</u>	<u>151,719</u>
Total assets	<u>409,612</u>	<u>331,899</u>
Paid in capital	194,060	130,142
Retained earnings	114,177	101,068
	<u>308,237</u>	<u>231,210</u>
Long-term interest-bearing debt	80,000	80,000
	<u>80,000</u>	<u>80,000</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	926	1,170
Accruals and provisions	10,449	9,519
	<u>21,375</u>	<u>20,689</u>
Total equity and liabilities	<u>409,612</u>	<u>331,899</u>

**Condensed statement of changes in equity for the period from  
1st January 2017 to 31 March 2018**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2017	130,142	96,926	227,068
Total comprehensive profit to 31 December 2017	-	28,167	28,167
Dividends paid		(24,025)	(24,025)
Balance as at 31 December 2017	130,142	101,068	231,210
Equity issue at 27 March 2018	64,936		64,936
Equity issue costs at 27 March 2018	(1,018)		(1,018)
Total comprehensive profit to 31 March 2018	-	19,115	19,115
Dividends paid	-	(6,006)	(6,006)
Balance as at 31 March 2018	194,060	114,177	308,237

**Condensed statement of cash flow for the period**

	Q1 2018 (unaudited)	Q1 2017 (unaudited)
Cash flow from operating activities		
Profit/(loss) before tax	19,821	19,324
Depreciation	3,402	3,848
Interest cost	1,092	1,785
Sharebased payment	663	(221)
(Increase)/decrease in trade and other receivables	7,249	3,386
(Increase)/decrease in stock	-	35
(Increase)/decrease in prepayments and accrued revenue	(6,268)	(1,713)
Increase/(decrease) in trade and other payables	(1,552)	(350)
Interests paid	(67)	(67)
Interests received	550	32
Taxation paid	(3,169)	-
Net cash flow from operating activities	21,721	26,059
Cash flow from investing activities		
Purchase of property, plant and equipment	(42,529)	(221)
(Increase)/decrease in investments	0	0
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(42,529)	(221)
Cash flow from financing activities		
Dividends paid	(6,006)	(6,006)
Repayment of loans	0	-
Net cash flow from financing activities	(6,006)	(6,006)
Net increase/(decrease) in cash and cash equivalents	(26,814)	19,832
Cash and cash equivalents at beginning of the period	119,286	70,070
Cash and cash equivalents at the end of the period	92,472	89,902

## **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

### **Basis of preparation**

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 “Interim financial reporting”.

### **Significant accounting policies**

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2016. This interim report should be read in conjunction with the audited 2016 financial statements, which include a full description of the Group’s significant accounting policies.



## Notes

### Note 1 - Rigs, machinery and equipment

in USD thousands, except per share data

	Semi submersible drilling rigs/SPS	Other fixtures and equipment	Total
<u>Cost</u>			
Opening balance 1 Jan 2018	381,213	1,898	383,111
Additions	42,529	-	42,529
Closing balance	423,742	1,898	425,640
<u>Depreciation</u>			
Opening balance 1 Jan 2018	(202,939)	(1,364)	(204,303)
Depreciation charge	(3,386)	(17)	(3,403)
Accumulated depreciation per ending balance	(206,325)	(1,381)	(207,706)
Net carrying amount at end of period	217,417	517	217,934
Expected useful life	5-20 years	3-10 years	
Depreciation rates	5% - 20%	10% - 33%	
Depreciation method	Straight line	Straight line	
Residual value per rig is USD 15 million.			

### Note 2 - Debt and financing

The Company completed a USD 125 million secured bond in the Norwegian bond market in April 2014. The bond was issued with an interest rate of 7% with maturity in April 2019. Repayment terms are USD 5 million six monthly and commenced in October 2014

	Total
Secured Bond	125,000
Repayment of debt	(35,000)
Total debt per end of accounting period	90,000
Current portion of long term debt	10,000
Long term debt per end of period	80,000
	90,000

### Note 3 - Related party transactions

in USD thousands except per share data

Transactions with Awilhelmsen are specified as follows:

	YTD Q1 2018
Purchases	(351)
Payables	(370)

#### Note 4 - Segment information

The company owns the semi submersible rigs WilHunter and WilPhoenix. Currently, the company is only operating in the mid water segment in the UK sector of the North Sea. The potential market for the rigs will be the international drilling market. As the rigs are managed as one business segment, the Company has only one reportable segment.

#### Note 5 - Restricted cash

The company has restricted cash of USD 1.0 million which has been deposited in relation to the forward hedge agreements.

#### Note 6 - Corporation taxes

Corporation tax provision is based on the tax laws and rates in the countries the rigs are operated and where the rigs are owned. During Q1 the average tax rates have been applied consistent with the prevailing average tax rate for the year.

#### Note 7 - Capital commitments

Outstanding Capital Commitments as at the end of Quarter 1 were USD 1.8 million.

#### Note 8 - Share capital

As of 31 March 2018 total outstanding shares in the Company was 47,631,500 with a nominal value per share of GBP 0.0065. The share capital and share premium reserve below are expressed in USD at the exchange rate at time of conversion from USD to GBP.

	Shares	Par value per share	Share capital	Share premium reserve
Share capital per 31 March 2018	47,631,500	£0.0065	464,588	193,595,465
Basic/diluted average number of shares, 1 January - 31 March	30,813,722			
Basic/diluted average number of shares, YTD	30,813,722			

Ranking	Shares	Ownership
AWILHELMSSEN OFFSHORE	17,919,938	37.62%
UBS SECURITIES LLC	4,799,747	10.08%
AKASTOR AS	2,700,000	5.67%
UBS SECURITIES LLC	2,205,455	4.63%
CITIBANK, N.A.	1,896,416	3.98%
EUROCLEAR BANK S.A./	1,721,619	3.61%
DEUTSCHE BANK AKTIEN	1,265,000	2.66%
CITIGROUP GLOBAL MAR	1,129,000	2.37%
VERDIPAPIRFONDET DNB	1,113,917	2.34%
SEB PRIME SOLUTIONS	1,000,000	2.10%
BANK OF AMERICA, N.A	983,158	2.06%
STRAWBERRY CAPITAL A	825,000	1.73%
CITIBANK, N.A.	727,064	1.53%
AVANZA BANK AB	654,290	1.37%
CLEARSTREAM BANKING	586,025	1.23%
KLP ALFA GLOBAL ENER	520,000	1.09%
FIRST GENERATOR	466,270	0.98%
SUNDT AS	375,000	0.79%
MSIP EQUITY	358,940	0.75%
TVENGE TORSTEIN INGV	350,000	0.73%
OTHER	6,034,661	12.67%
	<u>47,631,500</u>	<u>100.00%</u>