



THIRD QUARTER 2018

Awilco Drilling PLC is a North Sea Drilling Contractor owning and operating two refurbished and enhanced UK compliant 3rd generation mid-water 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, including the Barents Sea. The Company is listed at the Oslo Stock Exchange under the ticker code AWDR.

Q3 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 3.2 million (USD 9.0 million in Q2), EBITDA USD 6.5 million loss (USD 1.9 million loss in Q2) and net loss of USD 10.2 million (USD 7.6 million loss in Q2).
- Revenue efficiency was 90.9% during the quarter (98.5% in Q2)
- Contract utilisation was 12.8% during the quarter (13.9% in Q2)
- Contract backlog at the end of Q2 was approximately USD 41.4 million (approximately USD 44.2 million end of Q2)

Key financial figures:

In USD million, except EPS

USD million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	2017
Contract revenue	3.2	9.0	34.1	33.9	131.7
Operating expenses	7.2	7.4	7.2	7.2	27.8
EBITDA	(6.5)	(1.9)	24.0	24.5	94.8
Net (loss)/profit	(10.2)	(7.6)	19.1	(16.9)	28.2
EPS	(0.21)	(0.16)	0.62	(0.56)	0.94
Total assets	296.3	304.4	409.6	331.9	331.9
Total equity	285.6	295.8	308.2	231.2	231.2
Interest bearing debt	-	-	90.0	90.0	90.0
Gearing ratio	-	-	-0.8%	-14.5%	-14.5%

Financial Results – Quarter 3, 2018

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the third quarter 2018 of USD 10.2 million.

Revenue earned in the third quarter was USD 3.2 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 7.2 million. General and administration expenses were USD 2.5 million. This includes USD 0.5 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 third quarter was a loss of USD 6.5 million while the operating loss was USD 10.3 million.

Loss before tax was USD 10.3 million. The tax benefit for the quarter was USD 0.1 million resulting in a net loss of USD 10.2 million. Earnings per share (EPS) for the third quarter were USD (0.21).

Statement on financial position

As of 30 September 2018, total assets amounted to USD 296.3 million. At the same date, Awilco Drilling had USD 66.3 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2018 the WilPhoenix commenced operations for Shell UK Ltd at the Puffin location.

Revenue efficiency for the quarter was 90.9%. Contract utilisation was 25.0%.

At the end of September, WilPhoenix had a total contract backlog of approximately USD 41.4 million.

WilHunter

During Q3 2018 the WilHunter was cold stacked in Invergordon.

Capital Requirements and Dividend

Since June 2013 Awilco Drilling has 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. In August, the Board of Directors decided to suspend dividend payments and will resume same when the Company again reaches an appropriate free cash flow situation.

Organisation

At the end of Q3 2018, Awilco Drilling's Aberdeen based employees numbered 25 permanent personnel supported by 3 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 115 permanent personnel and onshore personnel of 2. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

The Norwegian market for modern high end semi-submersibles has continued to see further fixture activity with little availability now remaining in 2019 and only around 1/3 of available rig days in 2020 remaining clearly available. Fixtures remain around USD 300,000 excluding potentially material bonus amounts.

In the UK reduced supply coupled with increased demand is expected to see the current marketed fleet soon sold out for the summer of 2019. This is expected to result in day rate pressure and reduced seasonality in the region with higher utilisation levels forecast in the winter of 2019 into 2020.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third 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.

Subsequent Events

In October, a contract amendment was signed with Shell UK Limited granting three additional options on WilPhoenix. Each option covers the drilling of a single exploration well within or at the end of the current decommissioning program. The options are to be declared by 31 August 2019.

Aberdeen, 12 November 2018

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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. In March 2018, the Company ordered one new build rig of Moss CS60 ECO MW design equipped for drilling in harsh environments, including the Barents Sea. Awilco Drilling also has options for further three rigs of same design.

Awilco Drilling was listed on the Oslo Stock Exchange (Oslo Axess) in June 2011 under ticker code AWDR and transferred to the Oslo Stock Exchange main list early September 2018. 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 49 031 500.

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

	Q3 2018	YTD	Q3 2017	YTD
	(unaudited)	30.09.18 (unaudited)	(unaudited)	30.09.17 (unaudited)
Contract revenue	3,040	45,726	32,082	96,878
Reimbursables	135	545	331	963
Other revenue	12	15	9	21
	<u>3,187</u>	<u>46,286</u>	<u>32,422</u>	<u>97,862</u>
Rig operating expenses	7,159	21,823	8,089	20,529
Reimbursables	77	248	92	220
General and administrative expenses	2,486	8,713	3,347	6,844
Depreciation	3,726	10,274	3,961	11,723
	<u>13,448</u>	<u>41,058</u>	<u>15,489</u>	<u>39,316</u>
Operating (loss)/profit	<u>(10,261)</u>	<u>5,228</u>	<u>16,933</u>	<u>58,546</u>
Interest income	85	1,140	85	183
Interest expense	(4)	(4,671)	(1,800)	(5,304)
Other financial items	(78)	300	(186)	(191)
Net financial items	<u>3</u>	<u>(3,231)</u>	<u>(1,901)</u>	<u>(5,312)</u>
(Loss)/profit before tax	<u>(10,258)</u>	<u>1,997</u>	<u>15,032</u>	<u>53,234</u>
Tax expense	75	(681)	(809)	(8,140)
Net (loss)/profit	<u>(10,183)</u>	<u>1,316</u>	<u>14,223</u>	<u>45,094</u>
Total comprehensive (loss)/income	<u>(10,183)</u>	<u>1,316</u>	<u>14,223</u>	<u>45,094</u>
Attributable to shareholders of the parent	(10,183)	1,316	14,223	45,094
Basic and diluted earnings per share	(0.21)	0.03	0.47	1.50

Condensed statement of financial position

in USD thousands

	<u>30.09.2018</u>	<u>31.12.2017</u>
	(unaudited)	(audited)
Rigs, machinery and equipment	212,919	178,808
Deferred tax asset	1,521	1,372
	<u>214,440</u>	<u>180,180</u>
Trade and other receivables	824	17,168
Prepayments and accrued revenue	4,126	6,905
Inventory	4,879	4,809
Cash and cash equivalents	66,321	119,286
Current tax	5,757	3,551
	<u>81,907</u>	<u>151,719</u>
Total assets	<u><u>296,347</u></u>	<u><u>331,899</u></u>
Paid in capital	198,719	130,142
Retained earnings	86,852	101,068
	<u>285,571</u>	<u>231,210</u>
Long-term interest-bearing debt	<u>-</u>	<u>80,000</u>
	-	80,000
Current portion of long-term debt	-	10,000
Trade and other creditors	2,263	1,170
Accruals and provisions	8,513	9,519
	<u>10,776</u>	<u>20,689</u>
Total equity and liabilities	<u><u>296,347</u></u>	<u><u>331,899</u></u>

**Condensed statement of changes in equity for the period from
1st January 2017 to 30 September 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)
Equity issue at 22 June 2018	4,658		4,658
Total comprehensive profit to 30 September 2018	-	1,316	1,316
Dividends paid		(15,533)	(15,533)
Balance as at 30 September 2018	198,719	86,852	285,571

Condensed statement of cash flow for the period

	Q3 2018 (unaudited)	Q3 2017 (unaudited)
Cash flow from operating activities		
Profit before tax	1,997	53,234
Depreciation	10,274	11,723
Interest cost	3,691	5,121
Sharebased payment	2,287	1,972
(Increase)/decrease in trade and other receivables	16,344	11,150
(Increase)/decrease in stock	(70)	36
(Increase)/decrease in prepayments and accrued revenue	2,779	(6,348)
Increase/(decrease) in trade and other payables	(3,776)	(1,246)
Interests paid	(3,176)	(3,704)
Interests received	1,060	183
Taxation paid	(3,034)	(2,935)
Net cash flow from operating activities	28,376	69,186
Cash flow from investing activities		
Purchase of property, plant and equipment	(44,385)	(554)
Net cash flow from investing activities	(44,385)	(554)
Cash flow from financing activities		
Proceeds from issue of share capital	69,595	-
Equity issue costs	(1,018)	-
Dividends paid	(15,533)	(18,019)
Repayment of loans	(90,000)	(5,000)
Net cash flow from financing activities	(36,956)	(23,019)
Net increase/(decrease) in cash and cash equivalents	(52,965)	45,613
Cash and cash equivalents at beginning of the period	119,286	70,070
Cash and cash equivalents at the end of the period	66,321	115,683

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, 2017. This interim report should be read in conjunction with the audited 2017 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	Assets Under Construction	Other fixtures and equipment	Total
<u>Cost</u>				
Opening balance 1 Jan 2018	381,213	-	1,898	383,111
Additions	829	42,979	-	43,808
Closing balance	<u>382,042</u>	<u>42,979</u>	<u>1,898</u>	<u>426,919</u>
<u>Depreciation</u>				
Opening balance 1 Jan 2018	(202,939)	-	(1,364)	(204,303)
Depreciation charge	(9,657)	-	(39)	(9,696)
Accumulated depreciation per ending balance	<u>(212,596)</u>	<u>0</u>	<u>(1,403)</u>	<u>(213,999)</u>
Net carrying amount at end of period	<u>169,446</u>	<u>42,979</u>	<u>495</u>	<u>212,920</u>
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. The Bond was fully repaid on 28th June 2018.

	<u>Total</u>
Secured Bond	125,000
Repayment of debt	<u>(125,000)</u>
Total debt per end of accounting period	<u>-</u>
Current portion of long term debt	-
Long term debt per end of period	<u>-</u>

Note 3 - Related party transactions

in USD thousands except per share data

Transactions with Awilhelmsen are specified as follows:

	<u>YTD Q3 2018</u>
Purchases	(910)
Payables	(326)

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 Q3 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 3 were USD 384.5 million, of which USD 382.5 million relate to the new build rig.

Note 8 - Share capital

As of 30 September 2018 total outstanding shares in the Company was 49,031,500 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 30 September 2018	49,031,500	£0.0065	476,766	198,241,821
Basic/diluted average number of shares, 1 July - 30 September	49,031,500			
Basic/diluted average number of shares, YTD	42,599,998			

Ranking	Shares	Ownership
AWILHELMSSEN OFFSHORE	17,919,938	36.55%
UBS SECURITIES LLC	7,459,962	15.21%
AKASTOR AS	2,700,000	5.51%
EUROCLEAR BANK S.A./	2,132,225	4.35%
CITIBANK, N.A.	1,854,210	3.78%
CITIGROUP GLOBAL MAR	1,145,321	2.34%
VERDIPAPIRFONDET DNB	1,043,720	2.13%
SEB PRIME SOLUTIONS	1,000,000	2.04%
STRAWBERRY CAPITAL A	825,000	1.68%
BANK OF AMERICA, N.A	824,156	1.68%
SVENSKA HANDELSBANKE	720,604	1.47%
DEUTSCHE BANK AKTIEN	699,945	1.43%
CITIBANK, N.A.	635,360	1.30%
AVANZA BANK AB	615,783	1.26%
CLEARSTREAM BANKING	545,922	1.11%
STATE STREET BANK AN	501,500	1.02%
KLP ALFA GLOBAL ENER	490,166	1.00%
THE NORTHERN TRUST C	417,326	0.85%
SUNDT AS	375,000	0.76%
TVENGE TORSTEIN INGV	350,000	0.71%
OTHER	6,775,362	13.82%
	<u>49,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

30.09.2018
(unaudited)

Fair value of foreign currency forward contracts

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The foreign currency forward contracts were entered into in order to minimise the Group's exposure to losses resulting from adverse fluctuations in foreign currency exchange rates on monthly operating expenses. The fair value of the forward exchange contracts, as shown above, is recorded as other financial items in the Statement of Comprehensive Income and classified as accruals in the Statement of Financial Position.

Note 10 - Subsequent events

In October, a contract amendment was signed with Shell UK Limited granting three additional options on WilPhoenix. Each option covers the drilling of a single exploration well within or at the end of the current decommissioning program. The options are to be declared by 31 August 2019.