AWILCO DRILLING

FOURTH QUARTER 2018
PRELIMINARY FULL YEAR 2018 RESULTS

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.

Q4 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 10.2 million (USD 3.2 million in Q3), EBITDA USD 4.6 million (USD 6.5 million loss in Q3) and net loss of USD 24.2 million after an impairment charge of USD 25 million (USD 10.2 million loss in Q3).
- Revenue efficiency was 95.3% during the quarter (90.9% in Q3).
- Contract utilisation was 50% during the quarter (12.8% in Q3).
- Contract backlog at the end of Q4 was approximately USD 30.7 million (approximately USD 41.4 million end of Q3).

Key financial figures:

In USD million, except EPS

USD million	Q4 2018	Q3 2018	2018	2017
Contract revenue	10.2	3.2	56.5	131.7
Operating expenses	5.5	7.2	27.3	27.8
EBITDA	4.6	(6.5)	20.2	94.8
Net (loss)/profit	(24.2)	(10.2)	(22.9)	21.3
EPS	(0.49)	(0.21)	(0.52)	0.71
Total assets	268.2	296.3	268.2	329.2
Total equity	261.4	285.6	261.4	224.3
Interest bearing debt	-	-	-	90.0
Gearing ratio	-	-	-	-15 %

Financial Results – Quarter 4, 2018

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the fourth quarter 2018 of USD 24.2 million.

Revenue earned in the fourth quarter was USD 10.2 million.

In the fourth quarter Awilco Drilling had rig operating expenses of USD 5.5 million. General and administration expenses were USD 0.1 million. This includes a credit of USD 1.8 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.

In the fourth quarter, Awilco Drilling incurred an impairment charge of USD 25 million, due to the continued cold stack status and lack of visibility of contracting opportunities in the near term for the WilHunter.

EBITDA for the fourth quarter was USD 4.6 million while the operating loss was USD 23.5 million.

Loss before tax was USD 23.2 million. The tax expense for the quarter was USD 1.0 million resulting in a net loss of USD 24.2 million. Earnings per share (EPS) for the fourth quarter were USD (0.49).

Statement on financial position

As of 31 December 2018, total assets amounted to USD 268.2 million. At the same date, Awilco Drilling had USD 63.9 million in cash and cash equivalents.

Financial Result – Full Year 2018

Awilco Drilling reports total comprehensive loss for 2018 of USD 22.9 million. Total full year revenues were USD 56.5 million. Rig operating expenses were USD 27.3 million and general and administration expenses were USD 8.8 million. EBITDA for the year was USD 20.2 million, while the operating loss was USD 18.3 million. Loss before tax was 21.2 million. The tax charge for the year was USD 1.7 million. The resulting net loss was 22.9 million. Earnings per share (EPS) for the year were (0.52).

Operations and Contract Status

WilPhoenix

In Q4 2018 the WilPhoenix was in continued operations for Shell UK Ltd at the Kingfisher location.

Revenue efficiency for the quarter was 95.3%. Contract utilisation was 100%.

At the end of December, WilPhoenix had a total contract backlog of approximately USD 30.7 million.

WilHunter

During Q4 2018 the WilHunter was cold stacked in Invergordon.

Capital Requirements and Dividend

With the ordering of one new-build high-end semi-submersible rig in March 2018, plus an agreement for a further three independent rig options, the Company is in a growth and investment phase. Dividend payments have therefore been suspended and will resume when the Company again reaches an appropriate free cash flow situation.

Organisation
At the end of Q4 2018, Awilco Drilling's Aberdeen based employees numbered 25 permanent personnel supported by 3 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 117 permanent personnel and 2 onshore personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook
The Norwegian market for modern high-end semi-submersibles now has little availability remaining in 2019 and only around 1/3 of rig days in 2020 remaining clearly available. The most recent 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 fourth 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.

Oslo, 12 February 2019

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. 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	Q4 2018	Full Year 2018	Q4 2017	Full Year 2017
	(unaudited)	(unaudited)	(unaudited)	(audited)
Contract revenue	10,192	55,917	33,525	130,403
Reimbursables	40	586	343	1,306
Other revenue	4	19	1	22
	10,236	56,522	33,869	131,731
Rig operating expenses	5,520	27,342	7,222	27,751
Reimbursables	15	263	137	357
General and administrative expenses	53	8,766	1,975	8,818
Depreciation	3,151	13,425	3,963	15,686
Impairment	25,000	25,000	45,000	45,000
	33,739	74,796	58,297	97,612
Operating (loss)/profit	(23,503)	(18,274)	(24,428)	34,119
Interest income	802	1,943	609	792
Interest expense	(0)	(4,671)	(1,615)	(6,919)
Other financial items	(466)	(167)	1,010	818
Net financial items	336	(2,895)	4	(5,309)
(Loss)/Profit before tax	(23,167)	(21,169)	(24,424)	28,810
Tax expense	(1,013)	(1,695)	7,497	(643)
Net (loss)/profit	(24,181)	(22,864)	(16,927)	28,167
Total comprehensive (loss)/income	(24,181)	(22,864)	(16,927)	28,167
Attributable to shareholders of the parent	(24,181)	(22,864)	(16,927)	28,167
Basic and diluted earnings per share	(0.49)	(0.52)	(0.56)	0.94

Condensed statement of financial position

in USD thousands

	31.12.2018	31.12.2017
	(unaudited)	(audited)
Rigs, machinery and equipment	186 761	178 808
Deferred tax asset	461	1 372
	187 222	180 180
Trade and other receivables	9 075	17 168
Prepayments and accrued revenue	2 862	6 905
Inventory	4 809	4 809
Cash and cash equivalents	63 865	119 286
Current tax	340	3 551
	80 951	151 719
Total assets	268 173	331 899
Paid in capital	198 719	130 142
Retained earnings	62 671	101 068
	261 390	231 210
Long-term interest-bearing debt	-	80 000
	-	80 000
Current portion of long-term debt	-	10 000
Trade and other creditors	1 213	1 170
Accruals and provisions	5 504	9 519
Current tax payable	66	0
	6 783	20 689
Total equity and liabilities	268 173	331 899

	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 loss to 31 December 2018	-	(22,865)	(22,865)
Dividends paid	-	(15,533)	(15,533)
Balance as at 31 December 2018	198,719	62,671	261,390

Condensed statement of cash flow for the period

	Full Year 2018 (unaudited)	Full Year 2017 (audited)
Cash flow from operating activities		
(Loss)/Profit before tax	(21,169)	28,810
Depreciation	13,425	15,686
Impairment	25,000	45,000
Interest cost	2,728	6,126
Sharebased payment	(260)	645
Decrease in trade and other receivables	8,092	101
Decrease in stock	-	36
Decrease in prepayments and accrued revenue	4,043	307
Decrease in trade and other payables	(3,712)	(1,058)
Interest paid	(4,671)	(7,097)
Interest received	1,943	792
Taxation refund/(paid)	2,494	(5,481)
Net cash flow from operating activities	27,913	83,867
Cash flow from investing activities		
Purchase of property, plant and equipment	(46,378)	(626)
Net cash flow from investing activities	(46,378)	(626)
Cash flow from financing activities		
Proceeds from issue of share capital	69,595	-
Equity issue costs	(1,018)	-
Dividends paid	(15,533)	(24,025)
Repayment of loans	(90,000)	(10,000)
Net cash flow from financing activities	(36,956)	(34,025)
Net increase/(decrease) in cash and cash equivalents	(55,421)	49,216
Cash and cash equivalents at beginning of the period	119,286	70,070
Cash and cash equivalents at the end of the period	63,865	119,286

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

	Semi submersible drilling rigs/SPS	Assets Under Construction	Other fixtures and equipment	Total
Cost				
Opening balance 1 Jan 2018	350,713	0	1,886	352,599
Additions	1,994	44,384	-	46,378
Closing balance	352,707	44,384	1,886	398,977
Depreciation				
Opening balance 1 Jan 2018	(172,439)	-	(1,352)	(173,791)
Depreciation charge	(13,373)	-	(52)	(13,425)
Impairment	(25,000)	-	-	(25,000)
Accumulated depreciation per ending balance	(210,812)	0	(1,404)	(212,216)
Net carrying amount at end of period	141,895	44,384	482	186,761
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.

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

Note 3 - Related party transactions

in USD thousands

Transactions with Awilhelmsen are specified as follows:

	YTD Q4 2018
Purchases	(1,083)
Payables	(226)

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 1.32 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 Q4 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 4 were USD 386.6 million, of which USD 384.9 million relate to the new build rig.

Note 8 - Share capital

As of 31 December 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 31 December 2018	49 031 500	£0,0065	476 766	198 241 821
Basic/diluted average number of shares, 1 October - 31 December	49 031 500			
Basic/diluted average number of shares, YTD	44 221 089			

Ranking	**Shares**	**Ownership**
AWILHELMSEN OFFSHORE AS	17 919 938	36,55 %
UBS SECURITIES LLC	8 280 262	16,89 %
AKASTOR AS	2 700 000	5,51 %
Euroclear Bank S.A./N.V.	2 140 334	4,37 %
Citibank, N.A.	1 888 889	3,85 %
State Street Bank and Trust Comp	1 389 610	2,83 %
Citigroup Global Markets Inc.	1 145 307	2,34 %
SEB PRIME SOLUTIONS SISSENER CANOP	1 100 000	2,24 %
VERDIPAPIRFONDET DNB NORGE (IV)	1 043 720	2,13 %
Bank of America, N.A.	786 892	1,60 %
Svenska Handelsbanken AB	733 995	1,50 %
Citibank, N.A.	614 339	1,25 %
Avanza Bank AB	589 250	1,20 %
CLEARSTREAM BANKING S.A.	582 028	1,19 %
KLP ALFA GLOBAL ENERGI	495 606	1,01 %
STRAWBERRY CAPITAL AS	425 000	0,87 %
SUNDT AS	375 000	0,76 %
The Northern Trust Comp, London Br	363 773	0,74 %
TVENGE	350 000	0,71 %
Nordnet Bank AB	319 350	0,65 %
Other	5 788 207	11,81 %
	49 031 500	100,00 %

Note 9 - Derivative Financial Instrument

in USD thousands

	31.12.2018 (unaudited)
Fair value of foreign currency forward contracts	172

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.