



FIRST QUARTER 2019

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 two new build rigs 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.

Q1 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 9.1 million (USD 10.2 million in Q4 2018), EBITDA USD 0.3 million loss (USD 4.6 million in Q4 2018) and net loss of USD 2.4 million (USD 24.2 million loss in Q4 2018).
- Revenue efficiency was 85.6% during the quarter primarily due to high waiting on weather time at reduced rate (95.3 % in Q4 2018)
- Operational uptime was 100% during the quarter (99.7% in Q4 2018)
- Contract utilisation was 50.0% during the quarter (50 % in Q4 2018)
- Contract backlog at the end of Q1 was approximately USD 20.2 million (approximately USD 30.7 million Q4 2018)
- During the quarter, a contract was signed with Keppel FELS shipyard in Singapore for the building of the second CS60 ECO MW semisubmersible drilling rig, with remaining options to build up to two additional rigs of similar design, such options to be independent of each other.

Key financial figures:

In USD million, except EPS

USD million	Q1 2019	Q4 2018	Q3 2018	2018
Contract revenue	9.1	10.2	3.2	56.5
Operating expenses	6.3	5.5	7.2	27.3
EBITDA	(0.3)	4.6	(6.5)	20.2
Net loss	(2.4)	(24.2)	(10.2)	(22.9)
EPS	(0.05)	(0.49)	(0.21)	(0.52)
Total assets	286.3	268.2	296.3	268.2
Total equity	279.2	261.4	285.6	261.4

Financial Results – Quarter 1, 2018

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the first quarter 2019 of USD 2.4 million.

Revenue earned in the first quarter was USD 9.1 million.

In the first quarter Awilco Drilling had rig operating expenses of USD 6.3 million. General and administration expenses were USD 3.1 million. This includes a charge of USD 0.4 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. Also included is USD 0.6 million in respect of other personnel related costs.

EBITDA for the first quarter was USD 0.3 million loss while the operating loss was USD 3.0 million.

Loss before tax was USD 2.3 million. The tax expense for the quarter was USD 0.1 million resulting in a net loss of USD 2.4 million. Earnings per share (EPS) for the first quarter were USD (0.05).

In March 2019, a private placement of 5,550,000 shares was carried out. After the issue, the total share capital of Awilco Drilling is GBP 354,779.75 divided into 54,581,500 shares, up from GBP 318,704.75 divided into 49,031,500 shares as at the end of 2018.

In addition, a subsequent offering of up to 800,000 shares will be carried out once a prospectus is approved by the Norwegian Financial Supervisory Authority, expected to be around early June 2019. The purpose of the share issue was to fund the first deposit on the second new build rig.

Statement on financial position

As of 31 March 2019, total assets amounted to USD 286.3 million. At the same date, Awilco Drilling had USD 42.9 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q1 2019 the WilPhoenix was in continued operations for Shell UK Ltd at the Kingfisher location.

Revenue efficiency for the quarter was 85.6% primarily due to high waiting on weather time at reduced rate. Contract utilisation was 100%.

At the end of March, WilPhoenix had a total remaining contract backlog of approximately USD 20.2 million.

WilHunter

During Q1 2019 the WilHunter was cold stacked in Invergordon.

Newbuild Status

Construction continues on Rig #1 in accordance with the contract and scheduled delivery in March 2021. Rig # 2 will cut steel later this year and scheduled delivery is in March 2022.

Capital Requirements and Dividend

With the ordering of two new-build high-end semi-submersible rigs, plus an agreement for a further two 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 Q1 2019, 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 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 remains strong and we anticipate further fixture activity in this space tightening availability further as we look towards 2020 and beyond.

In the UK, the anticipated brisk level of enquiries and tenders for 2020 has materialised and as a result, we expect to see fixture activity flowing into Q3 2019.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first quarter of 2019, 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, 14 May, 2019

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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. The Company has ordered two new build rigs of Moss CS60 ECO MW design equipped for drilling in harsh environments, including the Barents Sea. Awilco Drilling also has options for a further two rigs of the same design.

Awilco Drilling was listed on the Oslo Stock Exchange (Oslo Axxess) 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 54,581,500 .

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 2019 (unaudited)	Q1 2018 (unaudited)
Contract revenue	8,972	33,759
Reimbursables	(23)	343
Other revenue	113	1
	<u>9,062</u>	<u>34,103</u>
Rig operating expenses	6,253	7,223
Reimbursables	2	141
General and administrative expenses	3,133	2,782
Depreciation	2,651	3,402
	<u>12,039</u>	<u>13,548</u>
Operating (loss)/profit	<u>(2,977)</u>	<u>20,555</u>
Interest income	533	550
Interest expense	-	(1,642)
Other financial items	142	358
Net financial items	<u>675</u>	<u>(734)</u>
(Loss)/Profit before tax	(2,302)	19,821
Tax expense	(50)	(706)
Net (loss)/profit	<u>(2,352)</u>	<u>19,115</u>
Total comprehensive (loss)/income	<u>(2,352)</u>	<u>19,115</u>
Attributable to shareholders of the parent	(2,352)	19,115
Basic and diluted earnings per share	(0.05)	0.62

Condensed statement of financial position

in USD thousands

	<u>31.03.2019</u>	<u>31.03.2018</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	227,470	217,935
Deferred tax asset	410	1,483
	<u>227,880</u>	<u>219,418</u>
Trade and other receivables	6,317	73,837
Prepayments and accrued revenue	4,082	13,173
Inventory	4,809	4,809
Cash and cash equivalents	42,900	92,472
Current tax	340	5,903
	<u>58,448</u>	<u>190,194</u>
Total assets	<u><u>286,328</u></u>	<u><u>409,612</u></u>
Paid in capital	218,905	194,060
Retained earnings	60,319	114,177
	<u>279,224</u>	<u>308,237</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	1,287	926
Accruals and provisions	5,751	10,449
Current tax payable	66	0
	<u>7,104</u>	<u>21,375</u>
Total equity and liabilities	<u><u>286,328</u></u>	<u><u>409,612</u></u>

**Condensed statement of changes in equity for the period from
1st January 2018 to 31 March 2019**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2018	130,141	101,068	231,209
Equity issue at 27 March 2018	64,937		64,937
Equity issue costs at 27 March 2018	(1,017)		(1,017)
Equity issue at 22 June 2018	4,658		4,658
Total comprehensive loss to 31 December 2018	-	(22,864)	(22,864)
Dividends paid		(15,533)	(15,533)
Balance as at 31 December 2018	198,719	62,671	261,390
Equity issue at 13 March 2019	20,595		20,595
Equity issue costs at 13 March 2019	(409)		(409)
Total comprehensive loss to 31 March 2019	-	(2,352)	(2,352)
Balance as at 31 March 2019	218,905	60,319	279,224

Condensed statement of cash flow for the period

	Q1 2019 (unaudited)	Q1 2018 (unaudited)
Cash flow from operating activities		
(Loss)/Profit before tax	(2,302)	19,821
Depreciation	2,651	3,402
Interest cost	(533)	1,092
Sharebased payment	(303)	663
Decrease in trade and other receivables	2,758	7,249
Decrease in prepayments and accrued revenue	(1,219)	(6,268)
Decrease in trade and other payables	624	(1,552)
Interest paid	-	(67)
Interest received	533	550
Taxation refund/(paid)	-	(3,169)
Net cash flow from operating activities	2,209	21,721
Cash flow from investing activities		
Purchase of property, plant and equipment	(43,360)	(42,529)
Net cash flow from investing activities	(43,360)	(42,529)
Cash flow from financing activities		
Proceeds from issue of share capital	20,595	-
Equity issue costs	(409)	-
Dividends paid	0	(6,006)
Net cash flow from financing activities	20,186	(6,006)
Net increase/(decrease) in cash and cash equivalents	(20,965)	(26,814)
Cash and cash equivalents at beginning of the period	63,865	119,286
Cash and cash equivalents at the end of the period	42,900	92,472

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, 2018. This interim report should be read in conjunction with the audited 2018 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 January 2019	306,256	44,384	1,908	352,548
Additions	309	43,034	17	43,360
Closing balance	306,565	87,418	1,925	395,908
Depreciation				
Opening balance 1 January 2019	(164,382)	-	(1,404)	(165,786)
Depreciation charge	(2,637)	-	(14)	(2,651)
Accumulated depreciation per ending balance	(167,019)	-	(1,418)	(168,437)
Net carrying amount at end of period	139,546	87,418	507	227,471
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 - Related party transactions

in USD thousands

Transactions with Awilhelmsen are specified as follows:

	YTD Q1 2019
Purchases	(179)
Payables	(233)

Note 3 - 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 4 - Restricted cash

The company has restricted cash of USD 1.1 million which has been deposited in relation to the forward hedge agreements.

Note 5 - 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 6 - Capital commitments

Outstanding Capital Commitments as at the end of Quarter 1 were USD 766.9 million, of which USD 764.7 million relate to the two new build rigs.

Note 7 - Share capital

As of 31 March 2019 total outstanding shares in the Company was 54,581,500 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 2019	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 January - 31 March	50,091,612			
Basic/diluted average number of shares, YTD	50,091,612			

Ranking	Shares	Ownership
AWILHELSEN OFFSHORE AS	20,240,814	37.1%
UBS SECURITIES LLC	9,672,216	17.7%
AKASTOR AS	3,049,673	5.6%
Euroclear Bank S.A./N.V.	2,251,191	4.1%
Citibank, N.A.	1,872,877	3.4%
SEB PRIME SOLUTIONS SISSENER CANOP	1,424,603	2.6%
VERDIPAPIRFONDET DNB NORGE (IV)	1,420,110	2.6%
State Street Bank and Trust Comp	1,276,064	2.3%
Svenska Handelsbanken AB	828,969	1.5%
Bank of America, N.A.	760,301	1.4%
Citigroup Global Markets Inc.	607,101	1.1%
Citibank, N.A.	588,664	1.1%
CLEARSTREAM BANKING S.A.	570,158	1.0%
Avanza Bank AB	561,111	1.0%
KLP ALFA GLOBAL ENERGI	560,959	1.0%
Citigroup Global Markets Inc.	538,206	1.0%
STRAWBERRY CAPITAL AS	519,340	1.0%
SUNDT AS	472,130	0.9%
TVENGE	432,825	0.8%
The Northern Trust Comp, London Br	361,027	0.7%
OTHER	6,573,161	12.0%
	<u>54,581,500</u>	<u>100.00%</u>

Note 8 - Derivative Financial Instrument

in USD thousands

31.03.2019
(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.