



SECOND 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.

Q2 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 10.4 million (USD 9.1 million in Q1), EBITDA USD 2.5 million (USD 0.3 million loss in Q1) and net loss of USD 0.4 million (USD 2.4 million loss in Q1).
- Revenue efficiency was 90.5% during the quarter (85.6 % in Q1)
- Operational uptime was 95.9% during the quarter (100% in Q1)
- Contract utilisation was 50.0% during the quarter, (50 % in Q1)
- Contract backlog at the end of Q2 was approximately USD 14.3 million (approximately USD 20.2 million Q1)

Key financial figures:

In USD million, except EPS

USD million	Q2 2019	Q1 2019	Q4 2018	2018
Contract revenue	10.4	9.1	10.2	56.5
Operating expenses	6.1	6.3	5.5	27.3
EBITDA	2.5	(0.3)	4.6	20.2
Net loss	(0.4)	(2.4)	(24.2)	(22.9)
EPS	(0.01)	(0.05)	(0.49)	(0.52)
Total assets	284.4	286.3	268.2	268.2
Total equity	278.8	279.2	261.4	261.4

Financial Results – Quarter 2, 2019

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the second quarter 2019 of USD 0.4 million.

Revenue earned in the second quarter was USD 10.4 million. This includes other revenue of USD 0.8 million, of which USD 0.6 million was in respect of bonus arrangements under the Shell contract.

In the second quarter Awilco Drilling had rig operating expenses of USD 6.1 million. General and administration expenses were USD 1.8 million. This includes a credit of USD 0.3 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 second quarter was USD 2.5 million while the operating loss was USD 0.2 million.

Loss before tax was USD 0.3 million. The tax expense for the quarter was USD 0.1 million resulting in a net loss of USD 0.4 million. Earnings per share (EPS) for the second quarter were USD (0.01).

Statement on financial position

As of 30 June 2019, total assets amounted to USD 284.4 million. At the same date, Awilco Drilling had USD 42.4 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q2 2019 the WilPhoenix was in continued operations for Shell UK Ltd at the Gannet location and moved to the Heron location in late June where it remained until after the end of the quarter.

Revenue efficiency for the quarter was 90.5%. Contract utilisation was 100%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 14.3 million.

WilHunter

During Q2 2019 the WilHunter was cold stacked in Invergordon.

New Build Status

Construction continues on Rig #1 in accordance with the contract and scheduled delivery in March 2021. Rig # 2 will cut steel by the end of Q3 2019 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 Q2 2019, Awilco Drilling's Aberdeen based employees numbered 27. Awilco Drilling Pte. Ltd. offshore personnel numbered 114 plus 2 onshore personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement. During Q2 2019, work continued on building the Norwegian shorebase organisation with the recruitment of key personnel and the formation of Awilco Drilling Norge AS.

Market Outlook

We continue to see strong demand for modern high end semi-submersibles in Norway and internationally with recent fixtures marking positive rate development and 2020 clear availability now limited. The UK market is expected to remain somewhat seasonal as we look towards 2020 but we expect a number of fixtures in the near term in support of high levels of utilisation for the marketed fleet in Q2 and Q3.

Statement of Responsibility

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

Subsequent Events

On 13 August, Awilco Drilling received notice from Shell that they would not be exercising the remaining contract options on WilPhoenix for two abandonment wells and three exploration wells.

Aberdeen, 13 August, 2019

The Board of Directors of Awilco Drilling PLC

CEO:

Jens Berge

Phone: +44 1224 737900

Investor Relations:

Cathrine Haavind

Mobile: +47 93 42 84 64

E-mail: ch@awilcodrilling.com

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 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 54,581,500 .

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

	Q2 2019 (unaudited)	YTD 30.06.19 (unaudited)	Q2 2018 (unaudited)	YTD 30.06.18 (unaudited)
Contract revenue	9,636	18,608	8,927	42,686
Reimbursables	-	(24)	67	411
Other revenue	802	916	2	2
	<u>10,438</u>	<u>19,500</u>	<u>8,996</u>	<u>43,099</u>
Rig operating expenses	6,131	12,384	7,440	14,663
Reimbursables	-	2	30	172
General and administrative expenses	1,799	4,932	3,445	6,228
Depreciation	2,746	5,397	3,146	6,548
	<u>10,676</u>	<u>22,715</u>	<u>14,061</u>	<u>27,611</u>
Operating (loss)/profit	<u>(238)</u>	<u>(3,215)</u>	<u>(5,065)</u>	<u>15,488</u>
Interest income	71	604	506	1,056
Interest expense	-	-	(3,025)	(4,667)
Other financial items	(163)	(21)	19	378
Net financial items	<u>(92)</u>	<u>583</u>	<u>(2,500)</u>	<u>(3,233)</u>
(Loss)/Profit before tax	<u>(330)</u>	<u>(2,632)</u>	<u>(7,565)</u>	<u>12,255</u>
Tax expense	<u>(62)</u>	<u>(112)</u>	<u>(50)</u>	<u>(756)</u>
Net (loss)/profit	<u><u>(392)</u></u>	<u><u>(2,744)</u></u>	<u><u>(7,615)</u></u>	<u><u>11,499</u></u>
Total comprehensive (loss)/income	<u><u>(392)</u></u>	<u><u>(2,744)</u></u>	<u><u>(7,615)</u></u>	<u><u>11,499</u></u>
Attributable to shareholders of the parent	(392)	(2,744)	(7,615)	11,499
Basic and diluted earnings per share	(0.01)	(0.05)	(0.16)	0.29

Condensed statement of financial position

in USD thousands

	<u>30.06.2019</u> (unaudited)	<u>30.06.2018</u> (unaudited)
Rigs, machinery and equipment	226,501	215,182
Deferred tax asset	352	1,435
	<u>226,853</u>	<u>216,617</u>
Trade and other receivables	7,970	-
Prepayments and accrued revenue	2,059	1,021
Inventory	4,808	4,958
Cash and cash equivalents	42,397	75,787
Current tax	340	5,995
	<u>57,574</u>	<u>87,761</u>
Total assets	<u><u>284,427</u></u>	<u><u>304,378</u></u>
Paid in capital	218,905	198,719
Retained earnings	59,927	97,035
	<u>278,832</u>	<u>295,754</u>
Trade and other creditors	983	1,068
Accruals and provisions	4,612	7,556
Current tax payable	0	0
	<u>5,595</u>	<u>8,624</u>
Total equity and liabilities	<u><u>284,427</u></u>	<u><u>304,378</u></u>

**Condensed statement of changes in equity for the period from
1st January 2018 to 30 June 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 30 June 2019	-	(2,744)	(2,744)
Balance as at 31 March 2019	218,905	59,927	278,832

Condensed statement of cash flow for the period

	Q2 2019 (unaudited)	Q2 2018 (unaudited)
Cash flow from operating activities		
(Loss)/Profit before tax	(2,632)	12,255
Depreciation	5,397	6,548
Interest cost	(604)	3,611
Sharebased payment	(651)	1,772
Decrease in trade and other receivables	1,105	17,169
Increase in stock	-	(149)
Decrease in prepayments and accrued revenue	804	5,884
Decrease in trade and other payables	(471)	(5,413)
Interest paid	-	(3,092)
Interest received	604	1,056
Taxation paid	(70)	(3,262)
Net cash flow from operating activities	3,482	36,379
Cash flow from investing activities		
Purchase of property, plant and equipment	(45,136)	(42,922)
Net cash flow from investing activities	(45,136)	(42,922)
Cash flow from financing activities		
Proceeds from issue of share capital	20,595	69,595
Equity issue costs	(409)	(1,018)
Dividends paid	0	(15,533)
Repayment of loans	0	(90,000)
Net cash flow from financing activities	20,186	(36,956)
Net increase/(decrease) in cash and cash equivalents	(21,468)	(43,499)
Cash and cash equivalents at beginning of the period	63,865	119,286
Cash and cash equivalents at the end of the period	42,397	75,787

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	817	44,244	76	45,137
Closing balance	307,073	88,628	1,984	397,685
Depreciation				
Opening balance 1 January 2019	(164,382)	-	(1,404)	(165,786)
Depreciation charge	(5,368)	-	(28)	(5,396)
Accumulated depreciation per ending balance	(169,750)	-	(1,432)	(171,182)
Net carrying amount at end of period	137,323	88,628	552	226,503
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 Q2 2019
Purchases	(276)
Payables	(96)

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 1.2 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 Q2 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 2 were USD 766.7 million, of which USD 764.7 million relate to the two new build rigs.

Note 7 - Share capital

As of 30 June 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 30 June 2019	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 April - 30 June	54,581,500			
Basic/diluted average number of shares, YTD	52,361,500			

Ranking	Shares	Ownership
AWILHELMOSEN 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.	2,250,244	4.1%
Citibank, N.A.	1,871,087	3.4%
VERDIPAPIRFONDET DNB NORGE (IV)	1,495,608	2.7%
SEB PRIME SOLUTIONS SISSENER CANOP	1,437,095	2.6%
State Street Bank and Trust Comp	1,404,704	2.6%
Citigroup Global Markets Inc.	1,145,321	2.1%
Svenska Handelsbanken AB	828,969	1.5%
Bank of America, N.A.	750,148	1.4%
KLP ALFA GLOBAL ENERGI	574,496	1.1%
CLEARSTREAM BANKING S.A.	570,895	1.0%
Avanza Bank AB	549,738	1.0%
Citibank, N.A.	534,557	1.0%
STRAWBERRY CAPITAL AS	519,340	1.0%
MOHN	474,827	0.9%
SUNDT AS	472,130	0.9%
TVENGE	450,000	0.8%
The Northern Trust Comp, London Br	363,404	0.7%
OTHER	5,926,234	10.9%
	<u>54,581,500</u>	<u>100.00%</u>

Note 8 - Derivative Financial Instrument

in USD thousands

30.06.2019
(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.

Note 9 - Subsequent events

On 13 August, Awilco Drilling received notice from Shell that they would not be exercising the remaining contract options on WilPhoenix for two abandonment wells and three exploration wells.