



THIRD 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.

Q3 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 10.3 million (USD 10.4 million in Q2), EBITDA USD 2.6 million (USD 2.5 million in Q2) and net loss of USD 0.9 million (USD 0.4 million loss in Q2).
- Revenue efficiency was 96.2% during the quarter (90.5 % in Q2)
- Operational uptime was 100% during the quarter (95.9% in Q2)
- Contract utilisation was 50.0% during the quarter, (50 % in Q2)
- Contract backlog at the end of Q3 was approximately USD 7.0 million (approximately USD 14.3 million Q2)

Key financial figures:

In USD million, except EPS

USD million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	2018
Contract revenue	10.3	10.4	9.1	10.2	56.5
Operating expenses	6.3	6.1	6.3	5.5	27.3
EBITDA	2.6	2.5	(0.3)	4.6	20.2
Net loss	(0.9)	(0.4)	(2.4)	(24.2)	(22.9)
EPS	(0.02)	(0.01)	(0.05)	(0.49)	(0.52)
Total assets	283.2	284.4	286.3	268.2	268.2
Total equity	278.0	278.8	279.2	261.4	261.4

Financial Results – Quarter 3, 2018

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the third quarter 2019 of USD 0.9 million.

Revenue earned in the third quarter was USD 10.3 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 6.3 million. General and administration expenses were USD 1.4 million. This includes a credit of USD 0.9 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 USD 2.6 million while the operating loss was USD 0.4 million.

Loss before tax was USD 0.7 million. The tax expense for the quarter was USD 0.2 million resulting in a net loss of USD 0.9 million. Earnings per share (EPS) for the third quarter were USD (0.02).

Statement on financial position

As of 30 September 2019, total assets amounted to USD 283.2 million. At the same date, Awilco Drilling had USD 41.3 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2019 the WilPhoenix was in continued operations for Shell UK Ltd at the Heron location.

Revenue efficiency for the quarter was 96.2%. Contract utilisation was 100%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 7.0 million.

WilHunter

During Q3 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 cut steel during Q3 2019 and scheduled delivery is in March 2022. Remaining capital commitments in respect of the two new build rigs total USD 766.9 million.

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 Q3 2019, Awilco Drilling's Aberdeen based employees numbered 25. Awilco Drilling Pte. Ltd. offshore personnel numbered 116 plus 2 onshore personnel. Awilco Drilling's Norway based employees numbered 5. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

Demand for modern high end semi-submersibles in Norway remains strong with early indications of positive rate development as contractors await the next round of fixtures.

In the UK, high levels of tendering in the first half of 2019 have yet to mature into significant 2020 awards. While we await the outcome of these tendering processes, the few awards made to date are supportive of positive rate development in the UK albeit that utilisation is expected to remain seasonal.

Statement of Responsibility

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

Awilco Drilling has been in regular contact with HMRC over the classification of an element of income booked in 2015. Awilco Drilling has maintained its position that the income was such that accumulated losses could be utilised against the income resulting in a reduction in its tax liability for the year. HMRC have disagreed with Awilco Drilling's position and issued a notice of amendment during October 2019 indicating additional tax and interest due of about GBP 7.7 million. Awilco Drilling are of the opinion that HMRC are incorrect in their assessment of the facts and an appeal has been submitted with further action to be taken as necessary. This is considered as a contingent liability only and no provision has been made.

Aberdeen, 11 November, 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. 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

	Q3 2019 (unaudited)	YTD 30.09.19 (unaudited)	Q3 2018 (unaudited)	YTD 30.09.18 (unaudited)
Contract revenue	10,299	28,907	3,040	45,726
Reimbursables	12	(12)	135	545
Other revenue	5	921	12	15
	<u>10,316</u>	<u>29,816</u>	<u>3,187</u>	<u>46,286</u>
Rig operating expenses	6,319	18,703	7,159	21,823
Reimbursables	9	11	77	248
General and administrative expenses	1,420	6,352	2,486	8,713
Depreciation	2,932	8,329	3,726	10,274
	<u>10,680</u>	<u>33,395</u>	<u>13,448</u>	<u>41,058</u>
Operating (loss)/profit	<u>(364)</u>	<u>(3,579)</u>	<u>(10,261)</u>	<u>5,228</u>
Interest income	72	675	85	1,140
Interest expense	-	-	(4)	(4,671)
Other financial items	(393)	(414)	(78)	300
Net financial items	<u>(321)</u>	<u>261</u>	<u>3</u>	<u>(3,231)</u>
(Loss)/Profit before tax	<u>(685)</u>	<u>(3,318)</u>	<u>(10,258)</u>	<u>1,997</u>
Tax expense	<u>(168)</u>	<u>(280)</u>	<u>75</u>	<u>(681)</u>
Net (loss)/profit	<u>(853)</u>	<u>(3,598)</u>	<u>(10,183)</u>	<u>1,316</u>
Total comprehensive (loss)/income	<u>(853)</u>	<u>(3,598)</u>	<u>(10,183)</u>	<u>1,316</u>
Attributable to shareholders of the parent	(853)	(3,598)	(10,183)	1,316
Basic and diluted earnings per share	(0.02)	(0.07)	(0.21)	0.03

Condensed statement of financial position

in USD thousands

	<u>30.09.2019</u>	<u>30.09.2018</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	225,115	212,919
Deferred tax asset	185	1,521
	<u>225,300</u>	<u>214,440</u>
Trade and other receivables	7,076	824
Prepayments and accrued revenue	4,355	4,126
Inventory	4,808	4,879
Cash and cash equivalents	41,317	66,321
Current tax	340	5,757
	<u>57,896</u>	<u>81,907</u>
Total assets	<u><u>283,196</u></u>	<u><u>296,347</u></u>
Paid in capital	218,905	198,719
Retained earnings	59,073	86,852
	<u>277,978</u>	<u>285,571</u>
Trade and other creditors	1,077	2,263
Accruals and provisions	4,141	8,513
	<u>5,218</u>	<u>10,776</u>
Total equity and liabilities	<u>283,196</u>	<u>296,347</u>

**Condensed statement of changes in equity for the period from
1st January 2018 to 30 September 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 September 2019	-	(3,598)	(3,598)
Balance as at 30 September 2019	218,905	59,073	277,978

Condensed statement of cash flow for the period

	Q3 2019 (unaudited)	Q3 2018 (unaudited)
Cash flow from operating activities		
(Loss)/Profit before tax	(3,318)	1,997
Depreciation	8,329	10,274
Interest cost	(675)	3,691
Sharebased payment	(1,655)	2,287
Decrease in trade and other receivables	2,000	16,344
Increase in stock	-	(70)
(Increase)/decrease in prepayments and accrued revenue	(1,493)	2,779
Decrease in trade and other payables	156	(3,776)
Interest paid	-	(3,176)
Interest received	675	1,060
Taxation paid	(70)	(3,034)
Net cash flow from operating activities	3,949	28,376
Cash flow from investing activities		
Purchase of property, plant and equipment	(46,683)	(44,385)
Net cash flow from investing activities	(46,683)	(44,385)
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	(22,548)	(52,965)
Cash and cash equivalents at beginning of the period	63,865	119,286
Cash and cash equivalents at the end of the period	41,317	66,321

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	840	45,767	76	46,683
Closing balance	307,096	90,151	1,984	399,231
Depreciation				
Opening balance 1 January 2019	(164,382)	-	(1,404)	(165,786)
Depreciation charge	(8,284)	-	(45)	(8,329)
Accumulated depreciation per ending balance	(172,666)	-	(1,449)	(174,115)
Net carrying amount at end of period	134,430	90,151	535	225,116
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 Q3 2019
Purchases	(530)
Payables	(272)

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 Q3 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 3 were USD 768.8 million, of which USD 766.9 million relate to the two new build rigs.

Note 7 - Share capital

As of 30 September 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 September 2019	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 July - 30 September	54,581,500			
Basic/diluted average number of shares, YTD	53,112,382			

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.	1,966,935	3.6%
VERDIPAPIRFONDET DNB NORGE (IV)	1,455,108	2.7%
SEB PRIME SOLUTIONS SISSENER CANOP	1,438,997	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.	717,939	1.3%
Avanza Bank AB	604,804	1.1%
KLP ALFA GLOBAL ENERGI	576,833	1.1%
CLEARSTREAM BANKING S.A.	576,245	1.1%
Citibank, N.A.	526,293	1.0%
STRAWBERRY CAPITAL AS	519,340	1.0%
VJ INVEST AS	518,610	1.0%
SUNDT AS	472,130	0.9%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
TVENGE	450,000	0.8%
Other	5,713,234	10.5%
	<u>54,581,500</u>	<u>100.00%</u>

Note 8 - Derivative Financial Instrument

in USD thousands

30.09.2019
(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

Awilco Drilling has been in regular contact with HMRC over the classification of an element of income booked in 2015. Awilco Drilling has maintained its position that the income was such that accumulated losses could be utilised against the income resulting in a reduction in its tax liability for the year. HMRC have disagreed with Awilco Drilling's position and issued a notice of amendment during October 2019 indicating additional tax and interest due of about GBP 7.7 million. Awilco Drilling are of the opinion that HMRC are incorrect in their assessment of the facts and an appeal has been submitted to HMRC with further action to be taken as necessary. This is considered as a contingent liability only and no provision has been made.