



**FOURTH QUARTER 2019
PRELIMINARY FULL YEAR 2019 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 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.

Q4 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 8.3 million (USD 10.3 million in Q3), EBITDA USD 0.5 million loss (USD 2.6 million in Q3) and net loss of USD 27.0 million after an impairment charge of USD 23 million (USD 0.9 million loss in Q3).
- Revenue efficiency was 86.0% during the quarter (96.2 % in Q3)
- Operational uptime was 100% during the quarter (100% in Q3)
- Contract utilisation was 43.8% during the quarter, (50 % in Q3)

Key financial figures:

In USD million, except EPS

USD million	Q4 2019	Q3 2019	2019	2018
Contract revenue	8.3	10.3	38.1	56.5
Operating expenses	6.1	6.3	24.8	27.3
EBITDA	(0.5)	2.6	4.2	20.2
Net loss	(27.0)	(0.9)	(30.6)	(22.9)
EPS	(0.49)	(0.02)	(0.57)	(0.52)
Total assets	259.0	283.2	259.0	268.2
Total equity	251.0	278.0	251.0	261.4

Financial Results – Quarter 4, 2019

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the fourth quarter 2019 of USD 27.0 million.

Revenue earned in the fourth quarter was USD 8.3 million.

In the fourth quarter Awilco Drilling had rig operating expenses of USD 6.1 million. General and administration expenses were USD 2.8 million. This includes a credit 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.

In the fourth quarter, Awilco Drilling incurred an impairment charge of USD 23 million, due to the continued cold stack status of the WilHunter and lack of visibility of future contracting opportunities for the rig.

EBITDA for the fourth quarter was USD 0.5 million loss while the operating loss was USD 26.8 million.

Loss before tax was USD 26.8 million. The tax expense for the quarter was USD 0.2 million resulting in a net loss of USD 27.0 million. Earnings per share (EPS) for the fourth quarter were USD (0.49).

Statement on financial position

As of 31 December 2019, total assets amounted to USD 259.0 million. At the same date, Awilco Drilling had USD 41.2 million in cash and cash equivalents.

Financial Results – Full Year 2019

Awilco Drilling reports total comprehensive loss for 2019 of USD 30.6 million. Total full year revenues were USD 38.1 million. Rig operating expenses were USD 24.8 million and general and administration expenses were USD 9.2 million. EBITDA for the year was USD 4.2 million, while the operating loss was USD 30.4 million. Loss before tax was 30.2 million. The tax charge for the year was 0.4 million. The resulting net loss was USD 30.6 million. Earnings per share (EPS) for the year were (0.57).

Operations and Contract Status

WilPhoenix

In Q4 2019 the WilPhoenix was in continued operations for Shell UK Ltd at the Curlew location until 20 December. The rig was de-mobilised to Invergordon where it remained until after the end of the quarter.

Revenue efficiency for the quarter was 86.0%. Contract utilisation was 87.5%.

WilHunter

During Q4 2019 the WilHunter was cold stacked in Invergordon.

New Build Status

Construction continues on Rig #1 in accordance with the contract and the revised scheduled delivery will be in April 2021. Rig # 2 cut steel during Q3 2019 and scheduled delivery is in March 2022. Remaining capital commitments at year end in respect of the two new build rigs total USD 768.0 million.

Funding Requirements

The Company has a cash balance at year end of USD 41.2 million and USD 10.6 million has since been used to fund a 25% portion of the second instalment for Rig 1. A further USD 31.9 million in respect of the balance of the second instalment is due for payment in June by Awilco Rig 1 Pte. Ltd. Additional funding will be required to support this payment and ongoing project related costs and it is planned that either equity will be issued or debt obtained in support of these funding requirements. Following these payments, the next payment to the yard (approx. USD 42 million) is scheduled for March 2021 in respect of the second instalment payable by Awilco Rig 2 Pte. Ltd for Rig 2.

Additionally, payment in respect of the 80% final installment payable by Awilco Rig 1 Pte. Ltd. will be due in April 2021. Funding for these payments will be required, and a combination of additional equity and debt will be required. There is also the option to defer the delivery of the rig, and related payment, by up to one year. This decision will be taken at a later date.

Organisation

At the end of Q4 2019, Awilco Drilling's Aberdeen based employees numbered 20. Awilco Drilling Pte. Ltd. offshore personnel numbered 114 plus 2 onshore personnel. Awilco Drilling's Norway based employees numbered 7. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

High levels of tendering activity coupled with substantive rate development in recent fixtures are supportive of continued strong demand for high end semi-submersibles in Norway.

In the UK, initial awards for 2020 work are supportive of year on year rate development albeit utilisation in 2020 is expected to remain seasonal. A significantly higher level of activity may be anticipated in 2021 based on the number of enquiries being received.

Contingent Liability

As reported in our Q3 financial report, 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 utilized 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 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.

Statement of Responsibility

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

During January, the Company signed a Letter of Intent with an undisclosed operator for the provision of WilPhoenix in support of a three well Plug & Abandonment program. The program has an estimated duration of 100 days and will commence in early May 2020. The contract value is estimated at USD 13.8 million.

During February, the Company signed a Letter of Intent with Serica Energy (UK) Limited for the provision of WilPhoenix for a one well workover on the Rhum field. The program has an estimated

duration of 45 to 70 days and will commence between 1st September and 30th October 2020. The contract value is estimated at GBP 5.9 million to GBP 9.1 million (USD 7.8 million to USD 11.9 million).

During February, as stated in the Funding Requirements above, the Company paid USD 10.6 million as part of the second instalment for Rig 1 and agreed a revised delivery schedule for Rig 1 with a new contractual delivery in April 2021.

Aberdeen, 24 February, 2020

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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

	Q4 2019 (unaudited)	Full Year 2019 (unaudited)	Q4 2018 (unaudited)	Full Year 2018 (audited)
Contract revenue	8,097	37,004	10,192	55,917
Reimbursables	4	(8)	40	586
Other revenue	219	1,140	4	19
	<u>8,320</u>	<u>38,136</u>	<u>10,236</u>	<u>56,522</u>
Rig operating expenses	6,061	24,765	5,520	27,342
Reimbursables	3	14	15	263
General and administrative expenses	2,801	9,153	53	8,766
Depreciation	3,257	11,586	3,151	13,425
Impairment	23,000	23,000	25,000	25,000
	<u>35,122</u>	<u>68,518</u>	<u>33,739</u>	<u>74,796</u>
Operating loss	<u>(26,802)</u>	<u>(30,382)</u>	<u>(23,503)</u>	<u>(18,274)</u>
Interest income	273	949	802	1,943
Interest expense	(14)	(14)	-	(4,671)
Other financial items	(303)	(717)	(466)	(167)
Net financial items	<u>(44)</u>	<u>218</u>	<u>336</u>	<u>(2,895)</u>
(Loss)/Profit before tax	(26,846)	(30,164)	(23,167)	(21,169)
Tax expense	(147)	(427)	(1,013)	(1,695)
Net (loss)/profit	<u>(26,993)</u>	<u>(30,592)</u>	<u>(24,180)</u>	<u>(22,864)</u>
Total comprehensive (loss)/income	<u>(26,993)</u>	<u>(30,592)</u>	<u>(24,180)</u>	<u>(22,864)</u>
Attributable to shareholders of the parent	(26,993)	(30,592)	(24,180)	(22,864)
Basic and diluted earnings per share	(0.49)	(0.57)	(0.49)	(0.52)

Condensed statement of financial position

in USD thousands

	<u>31.12.2019</u>	<u>31.12.2018</u>
	(unaudited)	(audited)
Rigs, machinery and equipment	201,918	186,761
Right-of-use asset	1,417	0
Deferred tax asset	108	461
	<u>203,443</u>	<u>187,222</u>
Trade and other receivables	8,908	9,075
Prepayments and accrued revenue	502	2,862
Inventory	4,946	4,809
Cash and cash equivalents	41,249	63,865
Current tax	0	340
	<u>55,605</u>	<u>80,951</u>
Total assets	<u><u>259,048</u></u>	<u><u>268,173</u></u>
Paid in capital	218,906	198,719
Retained earnings	32,079	62,671
	<u>250,985</u>	<u>261,390</u>
Trade and other creditors	1,284	1,213
Accruals and provisions	6,708	5,504
Current tax payable	71	66
	<u>8,063</u>	<u>6,783</u>
Total equity and liabilities	<u>259,048</u>	<u>268,173</u>

**Condensed statement of changes in equity for the period from
1st January 2018 to 31 December 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	(408)		(408)
Total comprehensive loss to 31 December 2019	-	(30,592)	(30,592)
Balance as at 31 December 2019	218,906	32,079	250,985

Condensed statement of cash flow for the period

	Full Year 2019 (unaudited)	Full Year 2018 (audited)
Cash flow from operating activities		
Loss before tax	(30,164)	(21,169)
Depreciation	11,586	13,425
Impairment	23,000	25,000
Interest cost	(934)	2,728
Sharebased payment	(1,655)	(260)
Decrease in trade and other receivables	4,020	8,092
Decrease/(Increase) in stock	(138)	-
Decrease in prepayments and accrued revenue	1,421	4,043
Decrease/(increase) in trade and other payables	363	(3,712)
Interest paid	(14)	(4,671)
Interest received	949	1,943
Taxation paid/received	270	2,494
Net cash flow from operating activities	8,704	27,913
Cash flow from investing activities		
Purchase of property, plant and equipment	(51,160)	(46,378)
Net cash flow from investing activities	(51,160)	(46,378)
Cash flow from financing activities		
Proceeds from issue of share capital	20,595	69,595
Equity issue costs	(408)	(1,018)
Dividends paid	0	(15,533)
Repayment of loans	0	(90,000)
Payment of principal portion of lease liabilities	(346)	-
Net cash flow from financing activities	19,840	(36,956)
Net increase/(decrease) in cash and cash equivalents	(22,616)	(55,421)
Cash and cash equivalents at beginning of the period	63,865	119,286
Cash and cash equivalents at the end of the period	41,249	63,865

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	1,081	48,224	116	49,421
Closing balance	307,337	92,608	2,024	401,969
Depreciation				
Opening balance 1 January 2019	(164,382)	-	(1,404)	(165,786)
Depreciation charge	(11,206)	-	(60)	(11,266)
Impairment	(23,000)	-	-	(23,000)
Accumulated depreciation per ending balance	(198,588)	-	(1,464)	(200,052)
Net carrying amount at end of period	108,749	92,608	560	201,917
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 Q4 2019
Purchases	(761)
Payables	(212)

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 Q4 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 4 were USD 769.9 million, of which USD 768.0 million relate to the two new build rigs.

Note 7 - Share capital

As of 31 December 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 December 2019	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 October - 31 December	54,581,500			
Basic/diluted average number of shares, YTD	53,483,698			

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.	2,193,791	4.0%
Citibank, N.A.	1,998,113	3.7%
SEB PRIME SOLUTIONS SISSENER CANOP	1,909,075	3.5%
VERDIPAPIRFONDET DNB NORGE	1,565,608	2.9%
State Street Bank and Trust Comp	1,303,059	2.4%
Citigroup Global Markets Inc.	1,145,321	2.1%
Svenska Handelsbanken AB	828,969	1.5%
Bank of America, N.A.	658,769	1.2%
Avanza Bank AB	641,654	1.2%
CLEARSTREAM BANKING S.A.	590,018	1.1%
VJ INVEST AS	549,954	1.0%
SKANDINAVISKA ENSKILDA BANKEN	532,067	1.0%
Citibank, N.A.	480,836	0.9%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
SUNDT AS	452,130	0.8%
TVENGE	450,000	0.8%
State Street Bank and Trust Comp	420,235	0.8%
Other	5,446,107	10.0%
	<u>54,581,500</u>	<u>100.00%</u>

Note 8 - Derivative Financial Instrument

in USD thousands

31.12.2019
(unaudited)

Fair value of foreign currency forward contracts	180
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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

During January, the Company signed a Letter of Intent with an undisclosed operator for the provision of WilPhoenix in support of a three well Plug & Abandonment program. The program has an estimated duration of 100 days and will commence in early May 2020. The contract value is estimated at USD 13.8 million.

During February, the Company signed a Letter of Intent with Serica Energy (UK) Limited for the provision of WilPhoenix for a one well workover on the Rhum field. The program has an estimated duration of 45 to 70 days and will commence between 1st September and 30th October 2020. The contract value is estimated at GBP 5.9 million to GBP 9.1 million (USD 7.8 million to USD 11.9 million).

During February, the Company paid USD 10.6 million as part of the second instalment for Rig 1 and agreed a revised delivery schedule for Rig 1 with a new contractual delivery in April 2021.