



SECOND QUARTER 2020

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 on order one new build rig of Moss CS60 ECO MW design equipped for drilling in harsh environments, including the Barents Sea. The Company also has independent options for a further two rigs of the same design. 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 6.4 million (nil Q1), EBITDA USD 1.5 million loss (USD 7.4 million loss in Q1) and a net loss of USD 4.6 million (USD 9.4 million loss in Q1).
- Revenue efficiency was 100% during the quarter (nil in Q1).
- Operational uptime was 100% during the quarter (nil in Q1).
- Contract utilisation was 33.5% during the quarter, (nil in Q1).
- Contract backlog at the end of Q2 was approximately USD 19.4 million (USD 13.8 million Q1).

Key financial figures:

In USD million, except EPS

USD million	Q2 2020	Q1 2020	Q4 2019	2019
Contract revenue	6.4	-	8.3	38.1
Operating expenses	4.8	4.9	6.1	24.8
EBITDA	(1.5)	(7.4)	(0.5)	4.2
Net loss	(4.6)	(9.4)	(27.0)	(30.6)
EPS	(0.08)	(0.17)	(0.49)	(0.57)
Total assets	242.5	247.5	259.0	259.0
Total equity	237.0	241.6	251.0	251.0

Financial Results – Quarter 2, 2020

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the second quarter 2020 of USD 4.6 million.

Revenue earned in the second quarter was USD 6.4 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 4.8 million. General and administration expenses were USD 3.1 million. This includes a credit of USD 0.1 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 1.5 million loss while the operating loss was USD 4.0 million.

Other financial items of USD 0.6 million includes USD 0.4 million in respect of impairment of project team costs for the new build project.

Loss before tax was USD 4.6 million. The tax expense for the quarter was less than USD 0.1 million resulting in a net loss of USD 4.6 million. Earnings per share (EPS) for the second quarter were USD (0.08).

Statement on financial position

As of 30 June 2020, total assets amounted to USD 242.5 million. This includes USD 54.7 million in respect of an amount recoverable from Keppel FELS in accordance with the terms of the shipyard construction contract and also includes USD 16.7 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q2 2020 the WilPhoenix commenced operations for Petrofac at the Rubie and Renee location where it remained until after the end of the quarter.

Revenue efficiency was 100% and contract utilisation was 68.1%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 19.4 million.

WilHunter

During Q2 2020 the WilHunter was cold stacked in Invergordon.

New Build Status

Awilco Rig 1 Pte. Ltd. (AR1) notified Keppel FELS Limited (KFELS) that it exercised its contractual termination right under the newbuilding contract for the construction of the semi-submersible drilling rig, new build Rig 1 (Nordic Winter), as a result of breaches under the Vessel Construction Contract.

The vessel construction contract provides that on termination AR1 will be entitled to a refund of the instalments paid to KFELS of USD 54,720,985 plus accrued interest.

KFELS has rejected this termination and on June 22, they terminated the construction contract with the rig owning company for non-payment of the remaining part of the second instalment (USD 31.9 million). The rig owning company does not accept KFELS grounds for termination and the arbitration process has commenced.

New Build Status (continued)

New build Rig 2 (Nordic Spring) cut steel during Q3 2019 and scheduled delivery is in March 2022. Remaining capital commitments at the end of second quarter in respect of this rig was USD 382.3 million.

Funding Requirements

The Company has a cash balance at end of second quarter of USD 16.7 million.

It is recognised that the construction contracts with the shipyard are structured such that there is no recourse to the rest of the Group in the event of default by the contracting subsidiaries.

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 New Build Rig 2 (Nordic Spring).

Funding for the second instalment and the remaining balance at delivery will be required, by a combination of additional equity and debt. 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.

Capital Requirements and Dividend

With the ordering of a 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 2020, Awilco Drilling's Aberdeen based employees numbered 20. Awilco Drilling Pte. Ltd. offshore personnel numbered 103 plus 2 onshore personnel. Awilco Drilling's Norway based employees numbered 19. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

Further rig retirements and cold stacking in the quarter reduced marketed floater supply across NW Europe. While UK demand in 2021 is expected to remain seasonal, the impact of reduced supply and increased operator focus on P & A suggests a tighter supply/demand balance and reduced seasonality from Q1/2 2022. The Norwegian tax incentive program has had an immediate positive impact on project sanctions and is expected to continue to support and accelerate rig demand in Norway. Recent fixture levels in the upper part of that market indicate a degree of resilience to short term market fluctuations.

Contingent Liability

As reported in our last three quarterly financial reports, 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 it, 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 second quarter of 2020, 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, 11 August 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 on order 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 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 2020	YTD	Q2 2019	YTD
	(unaudited)	30.06.20 (unaudited)	(unaudited)	30.06.19 (unaudited)
Contract revenue	6,118	6,118	9,636	18,608
Reimbursables	-	-	-	(24)
Other revenue	306	308	802	916
	<u>6,424</u>	<u>6,426</u>	<u>10,438</u>	<u>19,500</u>
Rig operating expenses	4,774	9,630	6,131	12,384
Reimbursables	-	-	-	2
General and administrative expenses	3,138	5,713	1,799	4,932
Depreciation	2,518	5,036	2,746	5,397
	<u>10,430</u>	<u>20,379</u>	<u>10,676</u>	<u>22,715</u>
Operating loss	<u>(4,006)</u>	<u>(13,953)</u>	<u>(238)</u>	<u>(3,215)</u>
Interest income	14	386	71	604
Interest expense	(7)	(14)	-	
Other financial items	(620)	(363)	(163)	(21)
Net financial items	<u>(613)</u>	<u>9</u>	<u>(92)</u>	<u>583</u>
Loss before tax	(4,619)	(13,944)	(330)	(2,632)
Tax expense	(8)	(86)	(62)	(112)
Net loss	<u>(4,627)</u>	<u>(14,030)</u>	<u>(392)</u>	<u>(2,744)</u>
Total comprehensive loss	<u>(4,627)</u>	<u>(14,030)</u>	<u>(392)</u>	<u>(2,744)</u>
Attributable to shareholders of the parent	(4,627)	(14,030)	(392)	(2,744)
Basic and diluted loss per share	(0.08)	(0.26)	(0.01)	(0.05)

Condensed statement of financial position

in USD thousands

	<u>30.06.2020</u>	<u>30.06.2019</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	157,914	226,501
Right-of-use asset	1,257	-
Deferred tax asset	22	352
	<u>159,193</u>	<u>226,853</u>
Trade and other receivables	56,638	7,970
Prepayments and accrued revenue	5,406	2,059
Inventory	4,648	4,808
Cash and cash equivalents	16,651	42,397
Current tax	-	340
	<u>83,343</u>	<u>57,574</u>
Total assets	<u><u>242,536</u></u>	<u><u>284,427</u></u>
Paid in capital	218,905	218,905
Retained earnings	18,050	59,927
	<u>236,955</u>	<u>278,832</u>
Trade and other creditors	2,903	983
Accruals and provisions	2,607	4,612
Current tax payable	71	0
	<u>5,581</u>	<u>5,595</u>
Total equity and liabilities	<u>242,536</u>	<u>284,427</u>

**Condensed statement of changes in equity for the period from
1st January 2019 to 30 June 2020**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2019	198,718	62,671	261,389
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	-	(30,591)	(30,591)
Balance as at 31 December 2019	218,905	32,080	250,985
Total comprehensive loss to 30 June 2020	-	(14,030)	(14,030)
Balance as at 30 June 2020	218,905	18,050	236,955

Condensed statement of cash flow for the period

	Q2 2020 (unaudited)	Q2 2019 (unaudited)
Cash flow from operating activities		
Loss before tax	(13,944)	(2,632)
Depreciation	5,036	5,397
Loss on disposal of property, plant and equipment	441	-
Derecogniton of proerty, plant and equipment	54,721	-
Impairment	-	0
Interest cost	(371)	(604)
Sharebased payment	(464)	(651)
(Increase)/Decrease in trade and other receivables	(47,730)	1,105
Decrease/(Increase) in stock	298	-
(Increase)/Decrease in prepayments and accrued revenue	(4,590)	804
(Decrease)Increase in trade and other payables	(2,161)	(471)
Interest paid	(14)	0
Interest received	385	604
Taxation paid	-	(70)
Net cash flow from operating activities	(8,393)	3,482
Cash flow from investing activities		
Purchase of property, plant and equipment	(16,035)	(45,136)
Net cash flow from investing activities	(16,035)	(45,136)
Cash flow from financing activities		
Proceeds from issue of share capital	-	20,595
Equity issue costs	-	(409)
Payment of principal portion of lease liabilites	(170)	-
Net cash flow from financing activities	(170)	20,186
Net increase/(decrease) in cash and cash equivalents	(24,598)	(21,468)
Cash and cash equivalents at beginning of the period	41,249	63,865
Cash and cash equivalents at the end of the period	16,651	42,397

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, 2019. This interim report should be read in conjunction with the audited 2019 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 2020	307,337	92,608	2,024	401,969
Additions	425	15,617	-	16,042
Disposal	-	(441)	(9)	(450)
Derecognition	-	(54,721)	-	(54,721)
Closing balance	307,762	53,063	2,015	362,840
Depreciation				
Opening balance 1 January 2020	(198,588)	-	(1,464)	(200,052)
Depreciation charge	(4,841)	-	(34)	(4,875)
Accumulated depreciation per ending balance	(203,429)	-	(1,498)	(204,927)
Net carrying amount at end of period	104,333	53,063	517	157,913
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 2020
Purchases	(420)
Payables	(218)

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 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 383.9 million, of which USD 382.3 million relate to the new build rig.

Note 7 - Share capital

As of 30 June 2020 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 2020	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	54,581,500			

Ranking	Shares	Ownership
AWILHELMSEN 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.	2,142,958	3.9%
Citibank, N.A.	2,140,674	3.9%
SEB PRIME SOLUTIONS SISSENER CANOP	2,000,000	3.7%
State Street Bank and Trust Comp	1,332,920	2.4%
Citigroup Global Markets Inc.	1,145,321	2.1%
Svenska Handelsbanken AB	828,969	1.5%
Bank of America, N.A.	734,845	1.3%
Avanza Bank AB	724,764	1.3%
VJ INVEST AS	601,365	1.1%
Nordnet Bank AB	524,868	1.0%
TVENGE	500,000	0.9%
CLEARSTREAM BANKING S.A.	459,746	0.8%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
Citibank, N.A.	445,839	0.8%
State Street Bank and Trust Comp	373,291	0.7%
SEB CMU/SECFIN POOLED ACCOUNT	300,000	0.5%
VARNER EQUITIES AS	260,025	0.5%
Other	6,650,121	12.2%
	<u>54,581,500</u>	<u>100.00%</u>

Note 8 - Derivative Financial Instrument

in USD thousands

30.06.2020
(unaudited)

Fair value of foreign currency forward contracts nil

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.