



THIRD QUARTER 2020

Awilco Drilling PLC is a North Sea Drilling Contractor owning and operating two 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 an independent option for one further rig of the same design. 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 10.6 million (USD 6.4 million Q2), EBITDA USD 1.7 million (USD 1.5 million loss in Q2) and a net loss of USD 1.0 million (USD 4.6 million loss in Q2).
- Revenue efficiency was 100% during the standard day rate work in the quarter (Q2 fixed price work only).
- Operational uptime was 100% during the quarter during the standard day rate work in the quarter (Q2 fixed price work only).
- Contract backlog at the end of Q3 was approximately USD 15.2 million (USD 19.4 million Q2).

Key financial figures:

In USD million, except EPS

USD million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	2019
Contract revenue	10.6	6.4	-	8.3	38.1
Operating expenses	5.9	4.8	4.9	6.1	24.8
EBITDA	1.7	(1.5)	(7.4)	(0.5)	4.2
Net loss	(1.0)	(4.6)	(9.4)	(27.0)	(30.6)
EPS	(0.02)	(0.08)	(0.17)	(0.49)	(0.57)
Total assets	241.9	242.5	247.5	259.0	259.0
Total equity	236.0	237.0	241.6	251.0	251.0

Financial Results – Quarter 3, 2020

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the third quarter 2020 of USD 1.0 million.

Revenue earned in the third quarter was USD 10.6 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 5.9 million. General and administration expenses were USD 3.0 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 third quarter was USD 1.7 million while the operating loss was USD 0.8 million.

Loss before tax was USD 1.0 million. The tax expense for the quarter was less than USD 0.1 million resulting in a net loss of USD 1.0 million. Earnings per share (EPS) for the third quarter were USD (0.02).

Statement on financial position

As of 30 September 2020, total assets amounted to USD 241.9 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 16.0 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2020 the WilPhoenix finished operations for Petrofac at the Rubie and Renee location and commenced operations for Serica at the Rhum location where it remained until after the end of the quarter.

Revenue efficiency was 100% and contract utilisation was 86.9%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 15.2 million.

WilHunter

During Q3 2020 the WilHunter was cold stacked in Invergordon. We continue to assess all options for WilHunter, both reactivation and sale but we are now in a more active process than previously, assessing a few specific alternatives.

New Build Status

In Q2, the Company's subsidiary Awilco Rig 1 Pte. Ltd. terminated the construction contract for new build Rig 1 (Nordic Winter) and claimed a refund of instalments paid to Keppel FELS of USD 54.7 million plus accrued interest.

KFELS rejected the termination and on their side terminated the construction contract with the rig owning company for non-payment of the remaining part of the second instalment. KFELS maintains it is entitled to claim for loss and damage suffered or pursuant to contractual termination provisions.

The rig owning company does not accept KFELS grounds for termination and the arbitration process is ongoing.

New Build Status (continued)

New build Rig 2 (Nordic Spring) cut steel during Q3 2019 and contractual delivery is in March 2022. It is clear that the delivery is significantly delayed. Remaining capital commitments at the end of the third quarter in respect of this rig was USD 382.3 million.

Funding Requirements

The Company has a cash balance at end of third quarter of USD 16.0 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 Keppel FELS (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 rig, plus an agreement for a further independent rig option, 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 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

Conventional UK demand in 2021 remains seasonal and somewhat limited but the attrition in the quarter of previously marketed units is clearly supportive for the supply/demand balance. UK Plug & Abandonment demand continues to mature and rig contract awards for 2021 and 2022 commencement might be anticipated in Q1 and Q2 of 2021. In Norway the tax incentive program continues to support rig demand from 2022/23 onward with operators of all sizes assessing development and concept selection options.

Contingent Liability

As reported in our last four 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 third 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.

Subsequent Events

During October, due to the termination of the newbuild Nordic Winter and the significant delay in the construction and anticipated start-up of operations of the newbuild rig Nordic Spring, cost saving was required. Based on this situation, Awilco Drilling Norge AS has initiated a wide range of cost reducing measures, including organisational downsizing.

Aberdeen, 23 November 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 an option for a further rig 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 2020 (unaudited)	YTD 30.09.20 (unaudited)	Q3 2019 (unaudited)	YTD 30.09.19 (unaudited)
Contract revenue	10,301	16,419	10,299	28,907
Reimbursables	3	3	12	(12)
Other revenue	306	614	5	921
	<u>10,610</u>	<u>17,036</u>	<u>10,316</u>	<u>29,816</u>
Rig operating expenses	5,885	15,516	6,319	18,703
Reimbursables	14	14	9	11
General and administrative expenses	2,996	8,709	1,420	6,352
Depreciation	2,518	7,554	2,932	8,329
	<u>11,413</u>	<u>31,793</u>	<u>10,680</u>	<u>33,395</u>
Operating loss	<u>(803)</u>	<u>(14,757)</u>	<u>(364)</u>	<u>(3,579)</u>
Interest income	-	385	72	675
Interest expense	(7)	(20)	-	-
Other financial items	(143)	(506)	(393)	(414)
Net financial items	<u>(150)</u>	<u>(141)</u>	<u>(321)</u>	<u>261</u>
Loss before tax	(953)	(14,898)	(685)	(3,318)
Tax expense	(8)	(94)	(168)	(280)
Net loss	<u>(961)</u>	<u>(14,992)</u>	<u>(853)</u>	<u>(3,598)</u>
Total comprehensive loss	<u>(961)</u>	<u>(14,992)</u>	<u>(853)</u>	<u>(3,598)</u>
Attributable to shareholders of the parent	(961)	(14,992)	(853)	(3,598)
Basic and diluted loss per share	(0.02)	(0.27)	(0.02)	(0.07)

Condensed statement of financial position

in USD thousands

	<u>30.09.2020</u>	<u>30.09.2019</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	156,978	225,115
Right-of-use asset	1,176	-
Deferred tax asset	17	185
	<u>158,171</u>	<u>225,300</u>
Trade and other receivables	58,487	7,076
Prepayments and accrued revenue	4,597	4,355
Inventory	4,647	4,808
Cash and cash equivalents	15,968	41,317
Current tax	-	340
	<u>83,699</u>	<u>57,896</u>
Total assets	<u><u>241,870</u></u>	<u><u>283,196</u></u>
Paid in capital	218,905	218,905
Retained earnings	17,088	59,073
	<u>235,993</u>	<u>277,978</u>
Trade and other creditors	2,685	1,077
Accruals and provisions	3,192	4,141
	<u>5,877</u>	<u>5,218</u>
Total equity and liabilities	<u>241,870</u>	<u>283,196</u>

**Condensed statement of changes in equity for the period from
1st January 2019 to 30 September 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 September 2020	-	(14,992)	(14,992)
Balance as at 30 September 2020	218,905	17,088	235,993

Condensed statement of cash flow for the period

	YTD Q3 2020 (unaudited)	YTD Q3 2019 (unaudited)
Cash flow from operating activities		
Loss before tax	(14,898)	(3,318)
Depreciation	7,473	8,329
Loss on disposal of property, plant and equipment	441	-
Derecognition of property, plant and equipment	54,721	-
Interest cost	(371)	(675)
Sharebased payment	(534)	(1,655)
(Increase)/Decrease in trade and other receivables	(49,595)	2,000
Decrease/(Increase) in stock	299	-
(Increase)/Decrease in prepayments and accrued revenue	(3,781)	(1,493)
(Decrease)/Increase in trade and other payables	(1,543)	156
Interest paid	(14)	0
Interest received	385	675
Taxation paid	(74)	(70)
Net cash flow from operating activities	(7,491)	3,949
Cash flow from investing activities		
Purchase of property, plant and equipment	(17,535)	(46,683)
Net cash flow from investing activities	(17,535)	(46,683)
Cash flow from financing activities		
Proceeds from issue of share capital	-	20,595
Equity issue costs	-	(409)
Payment of principal portion of lease liabilities	(255)	-
Net cash flow from financing activities	(255)	20,186
Net increase/(decrease) in cash and cash equivalents	(25,281)	(22,548)
Cash and cash equivalents at beginning of the period	41,249	63,865
Cash and cash equivalents at the end of the period	15,968	41,317

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	504	17,039	-	17,543
Disposal	-	(441)	(9)	(450)
Derecognition	-	(54,721)	-	(54,721)
Closing balance	307,841	54,485	2,015	364,341
Depreciation				
Opening balance 1 January 2020	(198,588)	-	(1,464)	(200,052)
Depreciation charge	(7,262)	-	(51)	(7,313)
Accumulated depreciation per ending balance	(205,850)	-	(1,515)	(207,365)
Net carrying amount at end of period	101,991	54,485	500	156,976
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 2020
Purchases	(640)
Payables	(276)

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

Note 7 - Share capital

As of 30 September 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 September 2020	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	54,581,500			

Ranking	Shares	Ownership
AWILHELMSSEN OFFSHORE AS	20,240,814	37.1%
UBS SECURITIES LLC	10,817,537	19.8%
AKASTOR AS	3,049,673	5.6%
Citibank, N.A.	2,226,035	4.1%
Euroclear Bank S.A./N.V.	2,141,751	3.9%
SEB PRIME SOLUTIONS SISSENER CANOP	2,000,000	3.7%
State Street Bank and Trust Comp	1,332,920	2.4%
Svenska Handelsbanken AB	829,969	1.5%
Avanza Bank AB	792,166	1.5%
Bank of America, N.A.	704,820	1.3%
Nordnet Bank AB	647,520	1.2%
VJ INVEST AS	531,365	1.0%
CLEARSTREAM BANKING S.A.	501,439	0.9%
TVENGE	500,000	0.9%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
Citibank, N.A.	396,066	0.7%
State Street Bank and Trust Comp	368,037	0.7%
Swedbank AS	243,691	0.4%
UBS Switzerland AG	233,151	0.4%
The Northern Trust Comp, London Br	223,099	0.4%
Other	6,348,356	11.6%
	<u>54,581,500</u>	<u>100.00%</u>

Note 8 - Derivative Financial Instrument

in USD thousands

30.09.2020

(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.

Note 9 - Subsequent events

During October, due to the termination of the newbuild Nordic Winter and the significant delay in the construction and anticipated start-up of operations of the newbuild rig Nordic Spring, cost saving will be required. Based on this situation, Awilco Drilling Norge AS has initiated a wide range of cost reducing measures, including organisational downsizing.