



**FOURTH QUARTER 2021
PRELIMINARY FULL YEAR 2021 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 is listed at the Oslo Stock Exchange under the ticker code AWDR.

Q4 Report – Highlights

- Awilco Drilling PLC reports contract revenue of USD 1.0 million (USD 7.4 million Q3), EBITDA loss of USD 7.8 million (USD 3.1 million loss in Q3) and a net loss of USD 50.7 million, (USD 4.6 million loss in Q3). Net loss includes impairment of USD 31.0 million.
- Revenue efficiency was 90.1% during the quarter (97.4% in Q3)
- Operational uptime was 100% during the quarter (99.9% in Q3)

Key financial figures:

In USD million, except EPS

USD million	Q4 2021	Q3 2021	2021	2020
Contract revenue	1.0	7.4	33.1	25.6
Operating expenses	5.8	7.4	24.6	21.5
EBITDA	(7.8)	(3.1)	(4.3)	(21.1)
Net (loss)/profit	(50.7)	(4.6)	(52.5)	(167.9)
EPS	(0.93)	(0.08)	(0.96)	(3.08)
Total assets	45.9	87.6	45.9	92.1
Total equity	30.6	81.3	30.6	83.1

Financial Results – Quarter 4, 2021

Comprehensive Income Statement

Awilco Drilling ('the Company') reports total comprehensive loss for the fourth quarter 2021 of USD 50.7 million.

Revenue earned in the fourth quarter was USD 1.0 million.

In the fourth quarter Awilco Drilling had rig operating expenses of USD 5.8 million. General and administration expenses were USD 3.0 million.

In the fourth quarter, Awilco Drilling made a net impairment charge of USD 31.0 million, due to the continued cold stack status of the WilHunter and lack of committed future contracting opportunities for the WilPhoenix.

EBITDA for the fourth quarter was USD 7.8 million loss while the operating loss was USD 39.9 million. Interest expense in the quarter was USD 1.4 million, of which USD 1.39 million relates to a provision for tax penalty interest for WilHunter (UK) Ltd.

Loss before tax was USD 41.4 million. The tax expense for the quarter was USD 9.3 million, which includes USD 9.2 million tax provision for WilHunter (UK) Ltd. The resulting net loss was USD 50.7 million. Earnings/(loss) per share (EPS) for the fourth quarter were USD (0.93).

Statement on financial position

As of 31 December 2021, total assets amounted to USD 45.9 million. At the same date, Awilco Drilling had USD 9.7 million in cash and cash equivalents.

Financial Results – Full Year 2021

Awilco Drilling reports a total comprehensive loss for 2021 of USD 52.5 million. Total full year revenues were USD 33.1 million. Rig operating expenses were USD 24.6 million and general and administration expenses were USD 12.7 million. EBITDA for the year was USD 4.3 million loss, while the operating loss was USD 41.5 million. Interest expense for the year was USD 1.4 million, of which USD 1.39 million relates to the provision for tax penalty interest for WilHunter (UK) Ltd. Loss before tax was 43.2 million. The tax charge for the year was USD 9.3 million which includes USD 9.2 million tax provision for WilHunter (UK) Ltd. The resulting net loss was USD 52.5 million. Earnings/(loss) per share (EPS) for the year were (0.96).

Tax Liability – HMRC Dispute – WilHunter (UK) Ltd

Awilco Drilling's subsidiary company, WilHunter (UK) Ltd, has been in regular contact with HMRC over the classification of an element of income booked in 2015. An appeal to the First Tier Tribunal was unsuccessful and an application to the Tribunal for the decision to be set aside and re-made was submitted in August 2021. The application was dismissed on 6 December 2021 and if WilHunter (UK) Ltd was to further defend its position it would have to have filed an application with the First Tier Tribunal for permission to appeal by 31 January 2022. Awilco Drilling has resolved that it is not in its best interests to provide funding for a further appeal by WilHunter (UK) Ltd. WilHunter (UK) Ltd is not in a position to fund a further appeal nor is it in a position to settle the tax liability that has now fallen due. HMRC have been advised accordingly and WilHunter (UK) Limited has appointed insolvency practitioners and a liquidation process will be initiated. The tax liability of GBP 6.8 million plus accrued interest has been reflected in full in the subsidiary company and consequently is also reflected as a liability of the consolidated group. This is considered as a liability of the subsidiary and not the parent company.

Operations and Contract Status

WilPhoenix

In Q4 2021 the WilPhoenix completed operations for Ithaca at the Fotla location on 9 October 2021 and it is currently warm stacked in Invergordon.

Revenue efficiency was 90.1% and contract utilisation was 8.2%.

At the end of December, WilPhoenix had no remaining contract backlog.

WilPhoenix is currently tendered against two programs commencing in 2022 and 2023 which are undergoing customer evaluation and pending award. In addition, it is anticipated that a further two P&A programs will invite tenders within Q1/Q2 2022 for around four years of P&A work commencing in Q1/Q2 2023.

WilHunter

During Q4 2021 the WilHunter was cold stacked in Invergordon while recycling options for the rig were explored.

Funding Requirements

Additional funding will be required to support the ongoing arbitration process, equipment re-certification for the WilPhoenix and other working capital requirements. The Company is in the process of arranging a Shareholder loan.

Dividend

Dividend payments have been suspended in recent years but will resume when the Company again reaches an appropriate free cash flow situation.

Organisation

At the end of Q4 2021, Awilco Drilling's Aberdeen based employees numbered 22. Awilco Drilling Pte. Ltd. offshore personnel numbered 86. Cost reduction measures have been implemented resulting in a reduction in the offshore personnel headcount. The Awilhelmsen Group continues to supply some support personnel via a management agreement.

Market Outlook

Forecast activity levels in the UK mid-water segment from 2023 are significantly above those seen in 2021 or expected in 2022. The broader outlook towards 2023 and 2024 in the NW European floater market continues to improve with higher levels of utilisation and improving day rates expected against the backdrop of a recovering global contract drilling market.

Contingent Liability

It is recognised that Keppel FELS has submitted claims in respect of amounts it considers recoverable due to termination provisions in the contracts for both Nordic Winter and Nordic Spring. Statement of claims have been received from Keppel FELS in the amount of Singapore Dollars 562.75 million (US\$ 424.9 million) for Awilco Rig 1 Pte. Ltd. and Singapore Dollars 356.18 million (US\$ 268.9 million) for Awilco Rig 2 Pte. Ltd. but these claims are strongly denied. Due to the non-recourse nature of the contracts, this is considered as a contingent liability only of the subsidiaries and not the parent company. No provision has been made. It is expected that the final arbitration outcome for Awilco Rig 1 Pte Ltd will be no earlier than Q4 2022. The arbitration process for Awilco Rig 2 Pte Ltd, was started six months later and also expected no earlier than Q4 2022.

Contingent Asset

Following the termination of Nordic Winter and Nordic Spring, the subsidiary companies, Awilco Rig 1 Pte. Ltd and Awilco Rig 2 Pte. Ltd. have entered arbitration with KFELS in respect of deposit

and variation order payments. A total amount of USD 97.7 million is considered to be recoverable and is therefore disclosed as a contingent asset.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the fourth quarter of 2021, 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, 28 February 2022

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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.

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 2021 (unaudited)	YTD 31.12.21 (unaudited)	Q4 2020 (unaudited)	YTD 31.12.20 (audited)
Contract revenue	1,032	32,411	8,264	25,293
Reimbursables	10	604	254	257
Other revenue	2	62	48	52
	<u>1,044</u>	<u>33,077</u>	<u>8,566</u>	<u>25,602</u>
Rig operating expenses	5,766	24,573	6,128	21,644
Reimbursables	5	146	23	38
General and administrative expenses	3,027	12,657	5,028	13,736
Depreciation	1,171	6,241	2,518	10,072
Impairment	31,009	31,009	25,000	25,000
De-recognition of assets			110,839	111,280
	<u>40,978</u>	<u>74,626</u>	<u>149,536</u>	<u>181,771</u>
Operating loss	<u>(39,934)</u>	<u>(41,549)</u>	<u>(140,970)</u>	<u>(156,169)</u>
Interest income	-	-	-	386
Interest expense	(1,400)	(1,441)	(7)	(28)
Other financial items	(66)	(258)	(67)	(132)
Net financial items	<u>(1,465)</u>	<u>(1,699)</u>	<u>(73)</u>	<u>226</u>
Loss before tax	(41,399)	(43,248)	(141,044)	(155,943)
Tax expense	(9,265)	(9,266)	(67)	(161)
Net loss	<u>(50,664)</u>	<u>(52,514)</u>	<u>(141,111)</u>	<u>(156,104)</u>
Total comprehensive loss	<u>(50,664)</u>	<u>(52,514)</u>	<u>(141,111)</u>	<u>(156,104)</u>
Attributable to shareholders of the parent	(50,664)	(52,514)	(141,111)	(156,104)
Basic and diluted loss per share	(0.93)	(0.96)	(2.59)	(2.86)

Condensed statement of financial position

in USD thousands

	<u>31.12.2021</u>	<u>31.12.2020</u>
	(unaudited)	(audited)
Rigs, machinery and equipment	31,677	76,795
Right-of-use asset	775	1,096
Deferred tax asset	0	16
	<u>32,452</u>	<u>77,907</u>
Trade and other receivables	37	3,523
Prepayments and accrued revenue	625	2,800
Inventory	3,141	3,026
Cash and cash equivalents	9,685	14,738
	<u>13,488</u>	<u>24,087</u>
Total assets	<u>45,940</u>	<u>101,994</u>
Paid in capital	218,905	218,905
Retained earnings	(188,292)	(124,023)
	<u>30,613</u>	<u>94,882</u>
Trade and other creditors	885	2,231
Accruals and provisions	5,191	4,815
Current tax payable	9,251	66
	<u>15,327</u>	<u>7,112</u>
Total equity and liabilities	<u>45,940</u>	<u>101,994</u>

**Condensed statement of changes in equity for the period from
1st January 2020 to 31 December 2021**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2020	218,905	32,079	250,984
Total comprehensive loss to 31 December 2020	-	(167,857)	(167,857)
Balance as at 31 December 2020	218,905	(135,778)	83,127
Total comprehensive loss to 31 December 2021	-	(52,514)	(52,514)
Balance as at 31 December 2021	218,905	(188,292)	30,613

Condensed statement of cash flow for the period

	Full Year 2021 (unaudited)	Full Year 2020 (audited)
Cash flow from operating activities		
Loss before tax	(43,248)	(155,943)
Depreciation	6,241	10,072
Derecognition of property, plant and equipment	-	111,280
Impairment	31,009	25,000
Interest cost	1,441	(358)
Sharebased payment	(114)	(532)
Decrease in trade and other receivables	4,466	5,369
(Increase)/Decrease in stock	(115)	299
Decrease/(increase) in prepayments and accrued revenue	2,175	(1,985)
Increase in trade and other payables	(2,700)	(371)
Interest paid	(1,441)	(28)
Interest received	-	386
Taxation paid/received	(65)	(74)
Net cash flow from operating activities	(2,352)	(6,884)
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,229)	(19,287)
Net cash flow from investing activities	(2,229)	(19,287)
Cash flow from financing activities		
Payment of principal portion of lease liabilities	(472)	(340)
Net cash flow from financing activities	(472)	(340)
Net decrease in cash and cash equivalents	(5,053)	(26,511)
Cash and cash equivalents at beginning of the period	14,738	41,249
Cash and cash equivalents at the end of the period	9,685	14,738

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, 2020. This interim report should be read in conjunction with the audited 2020 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	Other fixtures and equipment	Total
<u>Cost</u>			
Opening balance 1 January 2021	307,960	2,016	309,976
Additions	2,229	-	2,229
Closing balance	310,189	2,016	312,205
<u>Depreciation</u>			
Opening balance 1 January 2021	(241,649)	(1,527)	(243,176)
Depreciation charge	(5,850)	(70)	(5,920)
Impairment	(31,432)	-	(31,432)
Accumulated depreciation per ending balance	(278,931)	(1,597)	(280,528)
Net carrying amount at end of period	31,258	419	31,677
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 2021
Purchases	(918)
Payables	(264)

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 - 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 5 - Capital commitments

There were Capital Commitments of USD 0.9 million as at the end of Quarter 4.

Note 6 - Share capital

As of 31 December 2021 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 2021	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 January - 31 December	54,581,500			
Basic/diluted average number of shares, YTD	54,581,500			

Ranking	Shares	Ownership
AWILHELMSSEN OFFSHORE AS	20,240,814	37.1%
PERSHING LLC	10,858,942	19.9%
AKASTOR AS	3,049,673	5.6%
Euroclear Bank S.A./N.V.	2,149,616	3.9%
Skandinaviska Enskilda Banken AB	2,000,000	3.7%
Citibank, N.A.	1,854,928	3.4%
State Street Bank and Trust Comp	1,604,279	2.9%
Bank of America, N.A.	1,055,000	1.9%
Northern Trust Global Services SE	848,319	1.6%
Avanza Bank AB	793,499	1.5%
Nordnet Bank AB	634,509	1.2%
Citibank, N.A.	506,796	0.9%
TVECO AS	500,000	0.9%
CLEARSTREAM BANKING S.A.	457,090	0.8%
Merrill Lynch Professional Clearin	453,091	0.8%
BNP Paribas	417,057	0.8%
Danske Bank A/S	377,785	0.7%
NORDNET LIVSFORSIKRING AS	282,872	0.5%
DZ Privatbank S.A.	209,272	0.4%
BNP Paribas	186,727	0.3%
Other	6,101,231	11.2%
	<u>54,581,500</u>	<u>100.00%</u>