



FIRST 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 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.**

### Q1 Report – Highlights

- Awilco Drilling PLC reported nil contract revenue (USD 8.3 million in Q4), EBITDA USD 7.4 million loss (USD 0.5 million loss in Q4) and a net loss of USD 9.4 million (USD 27.0 million loss in Q4).
- Revenue efficiency was n/a during the quarter (86.0% in Q4)
- Operational uptime was nil during the quarter (100% in Q4)
- Contract utilisation was nil during the quarter, (43.8% in Q4)
- Contract backlog at the end of Q1 was approximately USD 13.8 million (nil Q4)

### Key financial figures:

In USD million, except EPS

USD million	Q1 2020	Q4 2019	Q3 2019	2019
Contract revenue	0.0	8.3	10.3	38.1
Operating expenses	4.9	6.1	6.3	24.8
EBITDA	(7.4)	(0.5)	2.6	4.2
Net loss	(9.4)	(27.0)	(0.9)	(30.6)
EPS	(0.17)	(0.49)	(0.02)	(0.57)
Total assets	247.5	259.0	283.2	259.0
Total equity	241.6	251.0	278.0	251.0

## **Financial Results – Quarter 1, 2020**

### Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the first quarter 2020 of USD 9.4 million.

Revenue earned in the first quarter was nil.

In the first quarter Awilco Drilling had rig operating expenses of USD 4.9 million. General and administration expenses were USD 2.6 million. This includes a credit of USD 0.5 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 first quarter was USD 7.4 million loss while the operating loss was USD 9.9 million.

Loss before tax was USD 9.3 million. The tax expense for the quarter was USD 0.1 million resulting in a net loss of USD 9.4 million. Earnings per share (EPS) for the first quarter were USD (0.17).

### Statement on financial position

As of 31 March 2020, total assets amounted to USD 247.5 million. At the same date, Awilco Drilling had USD 27.7 million in cash and cash equivalents.

## **Operations and Contract Status**

### WilPhoenix

In Q1 2020 the WilPhoenix was hot stacked in Invergordon, awaiting commencement of the Petrofac contract on 1 May 2020.

Revenue efficiency and contract utilisation were nil.

At the end of March, WilPhoenix had a total remaining contract backlog of approximately USD 13.8 million.

### WilHunter

During Q1 2020 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 is April 2021. Rig # 2 cut steel during Q3 2019 and scheduled delivery is in March 2022. Remaining capital commitments at the end of first quarter in respect of the two new build rigs total USD 757.6 million

## **Funding Requirements**

The Company has a cash balance at end of first quarter of USD 27.7 million. USD 31.9 million and associated interest 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. The Company is in a dialogue with the shipyard about the second instalment.

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 Rig 2.

**Funding Requirements (continued)**

Additionally, payment in respect of the 80% final instalment payable by Awilco Rig 1 Pte. Ltd. will be due in April 2021. Funding for this and the earlier payments 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 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 Q1 2020, Awilco Drilling's Aberdeen based employees numbered 20. Awilco Drilling Pte. Ltd. offshore personnel numbered 106 plus 2 onshore personnel. Awilco Drilling's Norway based employees numbered 17. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

**Market Outlook**

The combined impact of the drop in oil price and the COVID-19 pandemic have immediately impacted operator's plans for 2021 with budgets reduced and a number of programs deferred pending increased confidence in the medium term outlook. Underlying market fundamentals remain positive towards both Tier 1 development demand in Norway and in the UK P & A market as the supply of suitable rigs is reduced through an increased rate of attrition.

**Contingent Liability**

As reported in our Q3 and Q4 2019 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 first 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 May, Awilco Drilling PLC and Petrofac Facilities Management Limited (Petrofac) have agreed to delay the commencement of the Plug & Abandonment program on Rubie and Renee until 25th May 2020 and that WilPhoenix will be on Standby Rate for the period of the delay.

Also during May, Awilco Drilling PLC signed a contract with Serica Energy (UK) Limited for the provision of WilPhoenix for a one well workover on the Rhum field. The contract has an estimated duration of 70 days including preparatory works and will commence around 15 September 2020.

Aberdeen, 12 May, 2020

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](http://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

	Q1 2020 (unaudited)	Q1 2019 (unaudited)
Contract revenue	-	8,972
Reimbursables	-	(23)
Other revenue	3	113
	<u>3</u>	<u>9,062</u>
Rig operating expenses	4,857	6,253
Reimbursables	-	2
General and administrative expenses	2,575	3,133
Depreciation	2,518	2,651
	<u>9,950</u>	<u>12,039</u>
Operating loss	<u>(9,947)</u>	<u>(2,977)</u>
Interest income	371	533
Interest expense	(7)	-
Other financial items	258	142
Net financial items	<u>622</u>	<u>675</u>
Loss before tax	(9,325)	(2,302)
Tax expense	(78)	(50)
Net loss	<u>(9,403)</u>	<u>(2,352)</u>
Total comprehensive loss	<u>(9,403)</u>	<u>(2,352)</u>
Attributable to shareholders of the parent	(9,403)	(2,352)
Basic and diluted loss per share	(0.17)	(0.05)

## Condensed statement of financial position

in USD thousands

	<u>31.03.2019</u>	<u>31.03.2018</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	212,382	186,761
Right-of-use asset	1,337	-
Deferred tax asset	30	461
	<u>213,749</u>	<u>187,222</u>
Trade and other receivables	259	9,075
Prepayments and accrued revenue	1,109	2,862
Inventory	4,695	4,809
Cash and cash equivalents	27,718	63,865
Current tax	0	340
	<u>33,781</u>	<u>80,951</u>
Total assets	<u><u>247,530</u></u>	<u><u>268,173</u></u>
Paid in capital	218,905	198,719
Retained earnings	22,677	62,671
	<u>241,582</u>	<u>261,390</u>
Trade and other creditors	2,459	1,213
Accruals and provisions	3,418	5,504
Current tax payable	71	66
	<u>5,948</u>	<u>6,783</u>
Total equity and liabilities	<u>247,530</u>	<u>268,173</u>

## Condensed statement of cash flow for the period

	Q1 2020	Q1 2019
	(unaudited)	(audited)
Cash flow from operating activities		
Loss before tax	(9,325)	(2,302)
Depreciation	2,518	2,651
Interest cost	(364)	(533)
Sharebased payment	(464)	(303)
Decrease in trade and other receivables	8,650	2,758
Decrease/(Increase) in stock	251	-
Decrease in prepayments and accrued revenue	(293)	(1,219)
Decrease/(increase) in trade and other payables	(1,880)	624
Interest paid	(7)	0
Interest received	371	533
Net cash flow from operating activities	<u>(544)</u>	<u>2,209</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(12,902)	(43,360)
Net cash flow from investing activities	<u>(12,902)</u>	<u>(43,360)</u>
Cash flow from financing activities		
Proceeds from issue of share capital	-	20,595
Equity issue costs	-	(409)
Payment of principal portion of lease liabilities	(85)	-
Net cash flow from financing activities	<u>(85)</u>	<u>20,186</u>
Net increase/(decrease) in cash and cash equivalents	(13,531)	(20,965)
Cash and cash equivalents at beginning of the period	<u>41,249</u>	<u>63,865</u>
Cash and cash equivalents at the end of the period	<u>27,718</u>	<u>42,900</u>

## **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
<b>Cost</b>				
Opening balance 1 January 2020	307,337	92,608	2,024	401,969
Additions	400	12,502	0	12,902
Closing balance	307,737	105,110	2,024	414,871
<b>Depreciation</b>				
Opening balance 1 January 2020	(198,588)	-	(1,464)	(200,052)
Depreciation charge	(2,421)	-	(17)	(2,438)
Accumulated depreciation per ending balance	(201,009)	-	(1,481)	(202,490)
Net carrying amount at end of period	106,728	105,110	543	212,381
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 Q1 2020
Purchases	(188)
Payables	(210)

### 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 1.3 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 Q1 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 1 were USD 759.2 million, of which USD 757.6 million relate to the two new build rigs.

## Note 7 - Share capital

As of 31 March 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 31 March 2020	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 January - 31 March	54,581,500			
Basic/diluted average number of shares, YTD	54,581,500			

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.	2,170,036	4.0%
Citibank, N.A.	2,132,973	3.9%
SEB PRIME SOLUTIONS SISSENER CANOP	2,000,000	3.7%
State Street Bank and Trust Comp	1,341,159	2.5%
Citigroup Global Markets Inc.	1,145,321	2.1%
VPF DNB AM NORSKE AKSJER	904,827	1.7%
Svenska Handelsbanken AB	828,969	1.5%
Bank of America, N.A.	672,527	1.2%
Avanza Bank AB	666,523	1.2%
VJ INVEST AS	594,016	1.1%
VERDIPAPIRFONDET DNB NORGE	590,803	1.1%
SEB CMU/SECFIN POOLED ACCOUNT	496,849	0.9%
Citibank, N.A.	470,913	0.9%
TVENGE	460,951	0.8%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
SUNDT AS	431,296	0.8%
CLEARSTREAM BANKING S.A.	430,037	0.8%
Other	5,828,506	10.7%
	<u>54,581,500</u>	<u>100.00%</u>

## Note 8 - Derivative Financial Instrument

in USD thousands

31.03.2020  
(unaudited)

Fair value of foreign currency forward contracts	185
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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 May, Awilco Drilling PLC and Petrofac Facilities Management Limited (Petrofac) have agreed to delay the commencement of the Plug & Abandonment program on Rubie and Renee until 25th May 2020 and that WilPhoenix will be on Standby Rate for the period of the delay.

Also during May, Awilco Drilling PLC signed a contract with Serica Energy (UK) Limited for the provision of WilPhoenix for a one well workover on the Rhum field. The contract has an estimated duration of 70 days including preparatory works and is scheduled to commence around 15 September 2020.