



THIRD QUARTER 2021

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.

Q3 Report – Highlights

- Awilco Drilling PLC reports contract revenue of USD 7.4 million (USD 12.0 million Q2), EBITDA loss of USD 3.1 million (USD 3.0 million in Q2) and a net loss of USD 4.6 million, (USD 1.6 million in Q2).
- Revenue efficiency was 97.4% during the quarter (96.7% in Q2).
- Operational uptime was 99.9% during the quarter (94.2% in Q2).
- Contract backlog at the end of Q3 was approximately USD 1.0 million (USD 7.1 million Q2).

Key financial figures:

In USD million, except EPS

USD million	Q3 2021	Q2 2021	Q1 2021	Q4 2020	2020
Contract revenue	7.4	12.0	12.6	8.6	25.6
Operating expenses	7.4	6.3	5.2	6.0	21.5
EBITDA	(3.1)	3.0	3.7	(6.4)	(21.1)
Net (loss)/profit	(4.6)	1.6	1.3	(152.9)	(167.9)
EPS	(0.08)	0.03	0.02	(2.80)	(3.08)
Total assets	88.5	91.8	91.3	92.1	92.1
Total equity	81.3	86.0	84.4	83.1	83.1

Financial Results – Quarter 3, 2021

Comprehensive Income Statement

Awilco Drilling ('the Company') reports total comprehensive loss for the third quarter 2021 of USD 4.6 million.

Revenue earned in the third quarter was USD 7.4 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 7.4 million. General and administration expenses were USD 3.1 million.

EBITDA for the third quarter was USD 3.1 million loss while the operating loss was USD 4.3 million.

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 third quarter were USD (0.08).

Statement on financial position

As of 30 September 2021, total assets amounted to USD 88.5 million. At the same date, Awilco Drilling had USD 12.1 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2021 the WilPhoenix was in operations for Ithaca at the Fotla location.

Revenue efficiency was 97.4% and contract utilisation was 68.9%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 1.0 million. The rig has since completed the contract with Ithaca and is currently warm stacked in Invergordon and being marketed for future work.

WilHunter

During Q3 2021 the WilHunter was cold stacked in Invergordon.

Funding Requirements

Additional funding is expected to be required to support the ongoing arbitration process, SPS for the WilPhoenix and other working capital requirements.

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 Q3 2021, Awilco Drilling's Aberdeen based employees numbered 22. Awilco Drilling Pte. Ltd. offshore personnel numbered 98. The Awilhelmsen Group continues to supply some support personnel via a management agreement.

Market Outlook

The high volume of tendering activity in the UK rig market during 2021 is now resulting in contract awards for work commencing in 2022. The outlook towards 2023 and 2024 in the North-West European floater market continues to improve with higher levels of utilisation and improving day rates expected.

Contingent Liability

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. This company has maintained its position that the income was such that accumulated losses could be utilised against the income resulting in a reduction in its tax liability for the year. HMRC have disagreed with this position and issued a notice of amendment in October 2019 indicating additional tax of GBP 6.8 million plus accrued interest. A review of the HMRC decision was requested, and HMRC confirmed their view in March 2020. This company are of the opinion that HMRC were incorrect in their assessment of the facts and an appeal was submitted to the First Tier Tribunal (tax) in April 2020. In June 2021, the First Tier Tribunal heard the Company's appeal against this assessment. The appeal to the First Tier Tribunal was unsuccessful and an application to the Tribunal for the decision to be set aside and re-made has been submitted. The outcome of this appeal is expected during Q4 2021.

This is considered as a contingent liability only of the subsidiary and not the parent company. No provision has been made.

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, including any appeal process, 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 third 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, 15 November 2021

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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

	Q3 2021	YTD	Q3 2020	YTD
	(unaudited)	30.09.21 (unaudited)	(unaudited)	30.09.20 (unaudited)
Contract revenue	7,281	31,379	10,301	16,419
Reimbursables	131	594	3	3
Other revenue	24	60	306	614
	<u>7,436</u>	<u>32,033</u>	<u>10,610</u>	<u>17,036</u>
Rig operating expenses	7,365	18,807	5,885	15,516
Reimbursables	77	141	14	14
General and administrative expenses	3,115	9,552	2,996	8,709
Depreciation	1,168	5,069	2,518	7,554
	<u>11,725</u>	<u>33,569</u>	<u>11,413</u>	<u>31,793</u>
Operating loss	<u>(4,289)</u>	<u>(1,536)</u>	<u>(803)</u>	<u>(14,757)</u>
Interest income	-	-	-	385
Interest expense	(16)	(48)	(7)	(20)
Other financial items	(321)	(192)	(143)	(506)
Net financial items	<u>(337)</u>	<u>(241)</u>	<u>(150)</u>	<u>(141)</u>
Loss before tax	<u>(4,626)</u>	<u>(1,777)</u>	<u>(953)</u>	<u>(14,898)</u>
Tax expense	2	(1)	(8)	(94)
Net loss	<u>(4,624)</u>	<u>(1,778)</u>	<u>(961)</u>	<u>(14,992)</u>
Total comprehensive loss	<u>(4,624)</u>	<u>(1,778)</u>	<u>(961)</u>	<u>(14,992)</u>
Attributable to shareholders of the parent	(4,624)	(1,778)	(961)	(14,992)
Basic and diluted loss per share	(0.08)	(0.03)	(0.02)	(0.27)

Condensed statement of financial position

in USD thousands

	<u>30.09.2021</u>	<u>30.09.2020</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	63,376	156,978
Right-of-use asset	856	1,176
Deferred tax asset	14	17
	<u>64,246</u>	<u>158,171</u>
Trade and other receivables	3,812	58,487
Prepayments and accrued revenue	4,351	4,597
Inventory	3,026	4,647
Cash and cash equivalents	12,122	15,968
	<u>23,311</u>	<u>83,699</u>
Total assets	<u><u>87,557</u></u>	<u><u>241,870</u></u>
Paid in capital	218,905	218,905
Retained earnings	(137,556)	17,088
	<u>81,349</u>	<u>235,993</u>
Trade and other creditors	1,530	2,685
Accruals and provisions	4,678	3,192
	<u>6,208</u>	<u>5,877</u>
Total equity and liabilities	<u>87,557</u>	<u>241,870</u>

**Condensed statement of changes in equity for the period from
1st January 2020 to 30 September 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 30 September 2021	-	(1,778)	(1,778)
Balance as at 30 September 2021	218,905	(137,556)	81,349

Condensed statement of cash flow for the period

	Q3 2021 (unaudited)	Q3 2020 (unaudited)
Cash flow from operating activities		
Loss before tax	(1,777)	(14,898)
Depreciation	5,069	7,473
Loss on disposal of property, plant and equipment	-	441
Derecognition of property, plant and equipment	-	54,721
Interest cost	48	(371)
Sharebased payment	(18)	(534)
Decrease/(increase) in trade and other receivables	668	(49,595)
Decrease in stock	-	299
Decrease in prepayments and accrued revenue	(1,551)	(3,781)
Increase in trade and other payables	(3,075)	(1,543)
Interest paid	(48)	(14)
Interest received	-	385
Taxation paid/received	(65)	(74)
Net cash flow from operating activities	(749)	(7,491)
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,405)	(17,535)
Net cash flow from investing activities	(1,405)	(17,535)
Cash flow from financing activities		
Payment of principal portion of lease liabilities	(462)	(255)
Net cash flow from financing activities	(462)	(255)
Net decrease in cash and cash equivalents	(2,616)	(25,281)
Cash and cash equivalents at beginning of the period	14,738	41,249
Cash and cash equivalents at the end of the period	12,122	15,968

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	Assets Under Construction	Other fixtures and equipment	Total
Cost				
Opening balance 1 January 2021	307,960	111,280	2,016	421,256
Additions	1,405	-	-	1,405
Closing balance	309,365	111,280	2,016	422,661
Depreciation				
Opening balance 1 January 2021	(241,649)	(111,280)	(1,527)	(354,456)
Depreciation charge	(4,776)	-	(52)	(4,828)
Impairment	-	-	-	0
Accumulated depreciation per ending balance	(246,425)	(111,280)	(1,579)	(359,284)
Net carrying amount at end of period	62,940	0	437	63,377
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 2021
Purchases	(661)
Payables	(179)

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 Q3 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 1.6 million as at the end of Quarter 3.

Note 6 - Share capital

As of 30 September 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 30 September 2021	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 January - 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%
PERSHING LLC	10,866,817	19.9%
AKASTOR AS	3,049,673	5.6%
Euroclear Bank S.A./N.V.	2,150,866	3.9%
Skandinaviska Enskilda Banken AB	2,000,000	3.7%
Citibank, N.A.	1,861,448	3.4%
State Street Bank and Trust Comp	1,604,279	2.9%
Bank of America, N.A.	1,105,199	2.0%
Northern Trust Global Services SE	849,319	1.6%
Avanza Bank AB	836,460	1.5%
Nordnet Bank AB	564,234	1.0%
TVENGE	500,000	0.9%
CLEARSTREAM BANKING S.A.	476,713	0.9%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
Citibank, N.A.	447,524	0.8%
BNP PARIBAS	417,057	0.8%
Danske Bank A/S	271,797	0.5%
EIDE	213,394	0.4%
DZ Privatbank S.A.	209,272	0.4%
BNP Paribas	191,827	0.4%
Other	6,271,716	11.5%
	<u>54,581,500</u>	<u>100.00%</u>