



# AWILCO DRILLING

THIRD QUARTER 2013

Awilco Drilling PLC is a UK based offshore drilling company owning and operating two semi submersible drilling rigs. The Company is listed at the Oslo Stock Exchange (Oslo Axess) under the ticker code AWDR.

## Q3 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 62.3 million (USD 59.5 million in Q2), EBITDA of USD 46.3 million (USD 38.6 million in Q2) and net profit of USD 36.6 million (USD 29.4 million in Q2).
- Revenue efficiency was 98.9% during the quarter (97.3% in Q2)
- Contract backlog at the end of Q3 was approximately USD 797 million (approximately USD 860 million Q2)
- The Board approved a dividend distribution payable in Q4 of USD 1.10 per share.

## Key financial figures:

In USD million, except per day operating expenses

USD million	Q3 2013	Q2 2013	Q1 2013	Q4 2012	2012
Contract revenue	62.3	59.5	53.4	52.8	152.2
Operating expenses	13.5	13.2	13.6	14.4	56.5
EBITDA	46.3	38.6	33.9	32.6	73.9
Net profit	36.6	29.4	24.7	23.0	39.4
Total assets	364.8	349.1	343.5	316.3	316.3
Total equity	209.0	202.4	203.1	177.4	177.4
Interest bearing debt	100.8	103.6	106.3	114.6	114.6
Gearing ratio	21.5%	24.3%	24.6%	35.5%	35.5%
Per day operating expenses	73,457	72,471	75,277	78,504	77,247

### **Financial Results – Third Quarter 2013**

At the end of Q3 2013, both of Awilco Drilling's rigs were in continued drilling operations for their respective clients.

#### Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the third quarter 2013 of USD 36.6 million.

Revenue earned in the third quarter was USD 62.3 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 13.5 million. General and administration expenses were USD 4.3 million. This includes a provision of USD 1.7 million in respect of the stock award of synthetic stock options which are restated each quarter based on the valuation of the Company's shares.

Other income of USD 2.1 million is in respect of gain on foreign exchange of USD 1.4 million and insurance receivable of USD 0.7 million.

EBITDA for the third quarter was USD 46.3 million while the operating profit was USD 41.9million.

Interest expenses amounted to USD 2.4 million, which relates to accrued interest on the seller's credit with Transocean.

Profit before tax was USD 39.6 million. The tax charge for the quarter was USD 3.0 million on profits in the quarter. The resulting net profit was USD 36.6 million. Earnings per share (EPS) for the third quarter were USD 1.22.

#### Statement on financial position

As of 30 September 2013, total assets amounted to USD 364.8 million. At the same date, Awilco Drilling had USD 43.6 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 89.8 million.

There was a payment of USD 5.1 million during the quarter in respect of the seller's credit loan of which USD 2.8 million was capital repayment and USD 2.3 million of interest.

### **Operations and Contract Status**

#### WilPhoenix

In Q3 2013 the WilPhoenix was in continued operations on Premier Oil UK's Solan well location.

Revenue efficiency for the quarter was 97.9%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 498 million. WilPhoenix has firm contracts until mid-2017.

#### WilHunter

In Q3 2013 the WilHunter was in continued operations for Hess UK Ltd at the Angus location.

Revenue efficiency for the quarter was 99.8%.

At the end of September, WilHunter had a total remaining contract backlog of approximately USD 299 million. WilHunter has firm contracts until late 2015.

### **Capital Requirements and Dividend**

The Company's intention is to pay a regular dividend in support of its main objective to maximise returns to shareholders. The second dividend payment was paid during the quarter and is expected to continue on a quarterly basis. In the case of attractive growth opportunities the company will endeavor to maintain a meaningful dividend distribution.

### **Organisation**

At the end of Q3 2013, Awilco Drilling's Aberdeen based employees numbered 31 permanent personnel supported by 2 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 205 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

### **Market Outlook**

The UK mid-water semi-submersible drilling market remains strong and reasonably well balanced through to 2015. Due to the limited availability very few new contracts are recorded; there are some subtle opportunities in the market.

### **Statement of Responsibility**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third quarter of 2013, 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**

- In October, Awilco Drilling signed a contract amendment with Premier Oil UK Limited relating to the 250 days of options in the contract announced on 7<sup>th</sup> May 2012. The total exercised option period will now extend until completion of the 2014 drilling program or 31<sup>st</sup> October 2014, whichever comes earlier, but will be not less than 140 days. The previously declared 70 days of this option has been extended to 80 days. The additional term of the option period will have a minimum value based on a 60 day duration of USD 26.6 million and a maximum value of USD 73.0 million. The exercised option period is expected to commence in March 2014. There are no further options under this contract.
- In November, Awilco Drilling committed to order a new BOP and associated long lead items for each rig to be integrated at the respective times of the next 5-year SPS's. The additional cost for the new BOPs and related equipment, including installation and integration, is estimated to be USD 22.5 million per rig. As the Company believes the remaining fatigue life of each rig to be 18 years, the additional investment should maximise the potential service life of the rigs while reducing operational risk and maximising the potential customer base.

Aberdeen, 13 November, 2013

The Board of Directors of Awilco Drilling PLC

CEO:  
Jon Oliver Bryce  
Mobile: +44 1224 737900  
E-mail: [job@awilcodrilling.com](mailto:job@awilcodrilling.com)

Investor Relations:  
Cathrine Haavind  
Mobile: +47 93 42 84 64  
E-mail: [ch@awilcodrilling.com](mailto:ch@awilcodrilling.com)

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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. 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 30 031 500.*

[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

	Q3 2013	YTD	Q3 2012	YTD
	(unaudited)	30.09.13 (unaudited)	(unaudited)	30.09.2012 (unaudited)
Contract revenue	61,429	172,419	43,427	95,085
Reimbursables	825	2,679	625	1,209
Other revenue	12	37	332	3,180
	<u>62,266</u>	<u>175,135</u>	<u>44,384</u>	<u>99,474</u>
Rig operating expenses	13,516	40,256	13,408	42,100
Reimbursables	272	1,035	239	501
Provision for doubtful debts	-	-	2,973	6,138
General and administrative expenses	4,286	15,199	3,526	9,431
Other (income)	(2,132)	(2,200)	-	-
Other expense	-	1,900	-	-
Depreciation	4,405	13,194	4,439	13,255
	<u>20,347</u>	<u>69,384</u>	<u>24,585</u>	<u>71,425</u>
Operating profit	<u>41,919</u>	<u>105,751</u>	<u>19,799</u>	<u>28,049</u>
Interest income	38	100	3	14
Interest expense	(2,354)	(7,141)	(3,382)	(10,446)
Other financial items	-	(128)	(230)	(294)
Net financial items	<u>(2,316)</u>	<u>(7,169)</u>	<u>(3,609)</u>	<u>(10,726)</u>
Profit/(Loss) before tax	39,603	98,583	16,190	17,323
Tax (expense)	(2,986)	(7,882)	(1,834)	(1,827)
Net profit/(loss)	<u>36,617</u>	<u>90,701</u>	<u>14,356</u>	<u>15,496</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>36,617</u>	<u>90,701</u>	<u>14,356</u>	<u>15,496</u>
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	36,617	90,701	14,356	15,496
Basic and diluted earnings per share	1.22	3.02	0.48	0.52

## Condensed statement of financial position

in USD thousands

	<u>30.09.2013</u> (unaudited)	<u>31.12.2012</u> (audited)
Rigs, machinery and equipment	243,836	250,173
Deferred tax asset	<u>2,354</u>	<u>853</u>
	<u>246,190</u>	<u>251,026</u>
Trade and other receivables	21,153	22,285
Prepayments and accrued revenue	22,460	15,529
Inventory	4,800	4,800
Cash and cash equivalents	43,551	16,926
Current tax	<u>26,619</u>	<u>6,542</u>
	<u>118,583</u>	<u>66,082</u>
Total assets	<u><u>364,773</u></u>	<u><u>317,108</u></u>
Paid in capital	130,142	130,142
Retained earnings	<u>78,843</u>	<u>48,206</u>
	<u>208,985</u>	<u>178,348</u>
Deferred tax liability	769	769
Long-term interest-bearing debt	<u>89,848</u>	<u>98,098</u>
	<u>90,617</u>	<u>98,867</u>
Current portion of long-term debt	11,000	16,500
Trade and other creditors	1,555	1,965
Accruals and provisions	17,999	12,041
Current tax payable	<u>34,617</u>	<u>9,387</u>
	<u>65,171</u>	<u>39,893</u>
Total equity and liabilities	<u><u>364,773</u></u>	<u><u>317,108</u></u>

**Condensed statement of changes in equity for the period from  
1st January 2012 to 30 September 2013**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2012	130,142	8,812	138,954
Total comprehensive profit to 31 December 2012	-	39,394	39,394
Balance as at 31 December 2012	130,142	48,206	178,348
Total comprehensive profit to 30 September 2013	0	90,700	90,700
Dividends paid	0	(60,063)	(60,063)
Balance as at 30 September 2013	130,142	78,843	208,985

**Condensed statement of cash flow for the period**

	YTD Q3 2013 (unaudited)	YTD Q3 2012 (unaudited)
<b>Cash flow from operating activities</b>		
Profit before tax	98,583	17,323
Depreciation	13,193	13,255
Interest cost	7,041	10,433
(Increase)/decrease in trade and other receivables	1,131	(6,184)
(Increase)/decrease in stock	-	-
(Increase)/decrease in prepayments and accrued revenue	(6,932)	(3,788)
Increase/(decrease) in trade and other payables	5,747	3,161
Interests paid	(7,340)	(13,736)
Interests received	100	14
Taxation paid	(4,231)	(1,427)
Net cash flow from operating activities	107,293	19,051
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(6,856)	(3,036)
Dividends paid	(60,063)	0
Net cash flow from investing activities	(66,919)	(3,036)
<b>Cash flow from financing activities</b>		
Issue of loans	0	10,000
Repayment of loans	(13,750)	(32,286)
Net cash flow from financing activities	(13,750)	(22,286)
Net increase/(decrease) in cash and cash equivalents	26,624	(6,271)
Cash and cash equivalents at beginning of the period	16,927	25,100
Cash and cash equivalents at the end of the period	43,551	18,829

## **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, 2012. This interim report should be read in conjunction with the audited 2012 financial statements, which include a full description of the Group’s significant accounting policies.



## Notes

### Note 1 - Rigs, machinery and equipment

in USD thousands, except per share data

	Semi submersible drilling rigs/SPS	Other fixtures and equipment	Total
Opening balance 1 Jan 2013	293,554	1,128	294,682
Additions	6,777	80	6,856
Disposals	-	-	-
Closing balance	300,331	1,207	301,538
Opening balance 1 Jan 2013	(44,031)	(480)	(44,511)
Depreciation	(13,009)	(184)	(13,193)
Disposals	-	-	-
Accumulated depreciation per ending balance	(57,040)	(662)	(57,702)
Net carrying amount at end of period	243,291	545	243,836
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 - Debt and financing

#### Deferred Payment Deed (Seller's Credit)

In connection with the acquisition of the rigs from Transocean, the Company was granted a five year Seller's Credit from Transocean of USD 165 million. The borrowings are secured by first priority mortgages on the drilling rigs. The interest rate is 9%. Repayment terms are quarterly repayments of USD 2.8 million over five years and a final repayment of USD 87 million is due in January 2015.

	WilPhoenix	WilHunter	Total
Seller's Credit initially granted	82,500	82,500	165,000
Repayment of debt	(19,250)	(44,902)	(64,152)
Total debt per end of accounting period	63,250	37,598	100,848
Current portion of long term debt	5,500	5,500	11,000
Long term debt per end of period	57,750	32,098	89,848
	63,250	37,598	100,848

### Note 3 - Related party transactions

in USD thousands except per share data

In the normal course of its business, Awilco Drilling enters into a number of transactions with AWILHELMOSEN which is a major shareholder through its wholly owned subsidiary Awilco Drilling AS.

Transactions with AWILHELMOSEN are specified as follows:

	<u>YTD Q3 2013</u>
Sales	-
Purchases	(668)
Loan commitment fee	(72)
Receivables	-
Payables	(316)

### Note 4 - Segment information

The company owns the semi submersible rigs WilHunter and WilPhoenix. 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 5 - Restricted cash

The company has restricted cash of USD 1 million which has been deposited in relation to the forward hedge agreements as detailed in Note 10. The restricted cash is classified as "Cash and cash equivalents" in the Statement of Financial Position.

### Note 6 - Corporation taxes

If the operation of the rigs change among foreign jurisdictions, and the methods of taxation in these jurisdictions varies, the effective tax rate may be subject to change.

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 rigs were operational and average tax rates have been applied consistent with the prevailing average tax rate for the year.

### Note 7 - Subsequent events

In October, Awilco Drilling signed a contract amendment with Premier Oil UK Ltd relating to the 250 days of options in the contract announced on 7th May 2012. The total exercised option period will now extend until completion of the 2014 drilling program or 31st October 2014, whichever comes earlier, but will be not less than 140 days. The previously declared 70 days of this option has been extended to 80 days. The additional term of the option period will have a minimum value based on a 60 day duration of USD 26.6 million and a maximum value of USD 73.0 million. The exercised option period is expected to commence in March 2014. There are no further options under this contract.

## Note 8 - Capital Commitments

Outstanding Capital Commitments as at the end of Quarter 3 were USD 6.9 million.

## Note 9 - Share capital

As of 30th September 2013 total outstanding shares in the Company was 30,031,500 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 2013	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 30 September	30,031,500			
Basic/diluted average number of shares, YTD	30,031,500			

Ranking	Shares	Ownership
Awilco Drilling AS	14,633,100	48.73%
Euroclear Bank SA	2,514,300	8.37%
Bank of New York	1,108,423	3.69%
QVT Fund V LP	851,898	2.84%
Goldman Sachs & Co	781,180	2.60%
Deutsche Bank AG	677,259	2.26%
Odin Offshore	498,193	1.66%
Deutsche Bank AG	448,626	1.49%
Citibank	417,232	1.39%
VPF Nordea Kapital	371,944	1.24%
Arctic Funds PLC	318,760	1.06%
JP Morgan Chase Bank	262,741	0.87%
Citibank	253,714	0.84%
MP Pensjon	236,000	0.79%
VPF Nordea Norge Verdi	232,749	0.78%
Skandinaviska Enskilda Banken	208,858	0.70%
JP Morgan Chase Bank	203,101	0.68%
VPF Nordea Avkastning	189,174	0.63%
KLP Aksje Norge VPF	172,132	0.57%
Nordnet Bank AB	157,085	0.52%
Others	5,495,031	18.30%
	<u>30,031,500</u>	<u>100.00%</u>

## Note 10 - Derivative Financial Instrument

in USD thousands

30.09.2013  
(unaudited)

Fair value of foreign currency forward contracts                      \$795k

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 income in the Statement of Comprehensive Income and classified as accruals in the Statement of Financial Position.