



FIRST QUARTER 2014

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.

Q1 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 62.7 million (USD 61.4 million in Q4 2013), EBITDA of USD 44.1 million (USD 40.5 million in Q4 2013) and net profit of USD 34.5 million (USD 31.6 million in Q4 2013).
- Revenue efficiency was 97.2% during the quarter (95.6% in Q4 2013)
- Contract backlog at the end of Q1 was approximately USD 707 million (approximately USD 762 million Q4 2013)
- The Board approved a dividend distribution payable in Q2 2014 of USD 1.15 per share. The share will trade ex-dividend on 19 May 2014, the record date is 21 May 2014 and the payment date is on or around 20 June 2014.

Key financial figures:

In USD million, except per day operating expenses

USD million	Q1 2014	Q4 2013	Q3 2013	2013
Contract revenue	62.7	61.4	62.3	236.5
Operating expenses	14.4	16.3	13.5	56.6
EBITDA	44.1	40.5	46.3	159.5
Net profit	34.5	31.6	36.6	122.3
Total assets	399.2	387.8	364.8	387.8
Total equity	209.0	207.5	209.0	207.5
Interest bearing debt	95.3	98.1	100.8	98.1
Gearing ratio	19.4%	18.1%	21.5%	18.1%
Per day operating expenses	80,120	88,657	73,457	78,567

Financial Results – First Quarter 2014

At the end of Q1 2014, both of Awilco Drilling's rigs were in continued drilling operations for their respective clients.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive income for the first quarter 2014 of USD 34.5 million.

Revenue earned in the first quarter was USD 62.7 million.

In the first quarter Awilco Drilling had rig operating expenses of USD 14.4 million. General and administration expenses were USD 4.0 million. This includes costs of USD 0.7 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 44.1 million while the operating profit was USD 34.5 million.

Interest expenses amounted to USD 2.5 million, which relates to accrued interest on the seller's credit with Transocean.

Profit before tax was USD 37.2 million. The tax charge for the quarter was USD 2.7 million on profits in the quarter. The resulting net profit was USD 34.5 million. Earnings per share (EPS) for the first quarter were USD 1.15.

Statement on financial position

As of 31 March 2014, total assets amounted to USD 399.2 million. At the same date, Awilco Drilling had USD 45.2 million in cash and cash equivalents.

There was a payment of USD 4.9 million during the quarter in respect of the seller's credit loan of which USD 2.8 million was capital repayment and USD 2.1 million of interest.

Operations and Contract Status

WilPhoenix

In Q1 2014 the WilPhoenix was in continued operations on Maersk Oil North Sea UK's Maclure well location before moving back to Premier Oil UK's Solan location on the 23rd March where it remained through the end of the quarter.

Revenue efficiency for the quarter was 96.8%.

At the end of March, WilPhoenix had a total remaining contract backlog of approximately USD 474 million.

WilHunter

In Q1 2014 the WilHunter was in continued operations for Hess UK Ltd at the Ivanhoe location.

Revenue efficiency for the quarter was 97.6%.

At the end of March, WilHunter had a total remaining contract backlog of approximately USD 233 million.

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 fourth dividend payment was paid during the quarter and payments are 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 Q1 2014, Awilco Drilling's Aberdeen based employees numbered 31 permanent personnel supported by 2 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 206 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 is expected to remain at full utilisation through Q3 2014. As existing contracts draw to a conclusion and with limited new requirements still to be awarded, there is the potential for some spare near term softness from Q4 2014. The Company's firm contract coverage however, positions us well for any near term weaker market conditions.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first quarter of 2014, 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 April, the Company successfully completed a USD 125 million secured bond in the Norwegian bond market. The bond was issued with an interest rate of 7% with maturity in April 2019. Repayment terms are USD 5 million six monthly commencing in October 2014.
- Also during April, the outstanding debt was fully repaid to Transocean. This included USD 2.9 million of additional interest charged by Transocean in respect of early settlement of the debt.
- Also during April, legislation was published that addressed a change in bareboat chartering that caps the amount deductible for bareboat charter costs for UK Drilling Contractors. Based on the legislation as published, the Company's tax rate at a group level will increase.

Aberdeen, 13 May, 2014

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.

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.

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 2014	Q1 2013	Full Year
	(unaudited)	(unaudited)	2013
			(audited)
Contract revenue	62,211	52,292	233,152
Reimbursables	503	1,060	3,314
Other revenue	33	5	66
	<u>62,747</u>	<u>53,357</u>	<u>236,532</u>
Rig operating expenses	14,422	13,550	56,568
Reimbursables	195	500	1,239
General and administrative expenses	4,035	5,379	20,887
Other (income)	-	-	(3,535)
Other expense	12	-	1,900
Depreciation	4,400	4,391	17,609
	<u>23,064</u>	<u>23,820</u>	<u>94,668</u>
Operating profit	<u>39,683</u>	<u>29,537</u>	<u>141,864</u>
Interest income	38	16	120
Interest expense	(2,488)	(2,423)	(9,379)
Other financial items	-	(116)	(128)
Net financial items	<u>(2,450)</u>	<u>(2,523)</u>	<u>(9,387)</u>
Profit before tax	37,233	27,014	132,477
Tax (expense)	<u>(2,753)</u>	<u>(2,300)</u>	<u>(10,214)</u>
Net profit	<u>34,480</u>	<u>24,714</u>	<u>122,263</u>
Other comprehensive income	-	-	-
Total comprehensive income	<u>34,480</u>	<u>24,714</u>	<u>122,263</u>
Attributable to minority interests	-	-	-
Attributable to shareholders of the parent	34,480	24,714	122,263
Basic and diluted earnings per share	1.15	0.82	4.07

Condensed statement of financial position

in USD thousands

	<u>31.03.2014</u> (unaudited)	<u>31.12.2013</u> (audited)
Rigs, machinery and equipment	248,146	245,279
Deferred tax asset	<u>2,977</u>	<u>2,763</u>
	<u>251,123</u>	<u>248,042</u>
Trade and other receivables	28,648	14,417
Prepayments and accrued revenue	17,129	25,835
Inventory	4,800	4,800
Cash and cash equivalents	45,175	52,347
Current tax	<u>52,355</u>	<u>42,317</u>
	<u>148,107</u>	<u>139,716</u>
Total assets	<u><u>399,230</u></u>	<u><u>387,758</u></u>
Paid in capital	130,142	130,142
Retained earnings	<u>78,816</u>	<u>77,370</u>
	<u>208,958</u>	<u>207,512</u>
Deferred tax liability	554	554
Long-term interest-bearing debt	<u>0</u>	<u>87,098</u>
	<u>554</u>	<u>87,652</u>
Current portion of long-term debt	95,348	11,000
Trade and other creditors	2,702	3,140
Accruals and provisions	27,809	25,182
Current tax payable	<u>63,859</u>	<u>53,272</u>
	<u>189,718</u>	<u>92,594</u>
Total equity and liabilities	<u><u>399,230</u></u>	<u><u>387,758</u></u>

**Condensed statement of changes in equity for the period from
1st January 2013 to 31 March 2014**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2013	130,142	48,205	178,347
Total comprehensive profit to 31 December 2013	-	122,263	122,263
Dividends paid		(93,098)	(93,098)
Balance as at 31 December 2013	130,142	77,370	207,512
Total comprehensive profit to 31 March 2014	-	34,480	34,480
Dividends paid	-	(33,034)	(33,034)
Balance as at 31 March 2014	130,142	78,816	208,958

Condensed statement of cash flow for the period

	Q1 2014 (unaudited)	Q1 2013 (unaudited)
Cash flow from operating activities		
Profit before tax	37,233	27,014
Depreciation	4,400	4,391
Interest cost	2,450	2,407
Sharebased payment	920	2,743
(Increase)/decrease in trade and other receivables	(14,231)	6,557
(Increase)/decrease in prepayments and accrued revenue	5,434	(3,935)
Increase/(decrease) in trade and other payables	4,381	1,945
Interests paid	(2,330)	(2,616)
Interests received	38	16
Taxation paid	(2,416)	(4,192)
Net cash flow from operating activities	35,879	34,330
Cash flow from investing activities		
Purchase of property, plant and equipment	(7,267)	(3,058)
Net cash flow from investing activities	(7,267)	(3,058)
Cash flow from financing activities		
Dividends paid	(33,034)	-
Repayment of loans	(2,750)	(8,250)
Net cash flow from financing activities	(35,784)	(8,250)
Net increase/(decrease) in cash and cash equivalents	(7,172)	23,022
Cash and cash equivalents at beginning of the period	52,347	16,927
Cash and cash equivalents at the end of the period	45,175	39,949

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, 2013. This interim report should be read in conjunction with the audited 2013 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 2014	306,189	1,207	307,396
Additions	7,268	-	7,268
Closing balance	313,457	1,207	314,664
Opening balance 1 Jan 2014	(61,393)	(725)	(62,118)
Depreciation	(4,338)	(62)	(4,400)
Accumulated depreciation per ending balance	(65,731)	(787)	(66,518)
Net carrying amount at end of period	247,726	420	248,146
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 final repayment of USD 87 million due in January 2015. See Note 10 for subsequent event details on repayment.

	WilPhoenix	WilHunter	Total
Seller's Credit initially granted	82,500	82,500	165,000
Repayment of debt	(22,000)	(47,652)	(69,652)
Total debt per end of accounting period	60,500	34,848	95,348
Current portion of long term debt	60,500	34,848	95,348
Long term debt per end of period	-	-	-
	60,500	34,848	95,348

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 Q1 2014</u>
Purchases	(215)
Payables	(229)

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 Q1 the rigs were operational and average tax rates have been applied consistent with the prevailing average tax rate for the year.

Note 7 - Capital commitments

Outstanding Capital Commitments as at the end of Quarter 1 were USD 19.7 million.

Note 8 - Share capital

As of 31st March 2014 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 31 March 2014	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 31 March	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 S.A./N.V. ('BA')	1,839,593	6.13%
MERRILL LYNCH PROF. CLEARING CORP	1,129,000	3.76%
CITIBANK, N.A.	1,127,284	3.75%
UBS SECURITIES LLC	1,016,568	3.39%
QVT FUND V LP I	851,898	2.84%
JPMORGAN CHASE BANK N.A.	767,702	2.56%
CITIBANK, N.A.	743,666	2.48%
GOLDMAN SACHS & CO EQUITY SEGREGAT	641,005	2.13%
J.P. MORGAN CHASE BANK N.A. LONDON	585,340	1.95%
DEUTSCHE BANK AG	485,472	1.62%
AVANZA BANK AB	442,401	1.47%
MERRILL LYNCH, PIERCE, FENNER & S. INC	427,330	1.42%
MORGAN STANLEY & CO LLC	371,932	1.24%
JPMORGAN CHASE BANK N.A.	327,454	1.09%
NORDNET BANK AB	280,606	0.93%
FIRST CLEARING A/C LLC	158,810	0.53%
BNP PARIBAS PRIME BROKERAGE INC.	155,470	0.52%
CITIBANK, N.A.	150,000	0.50%
QUINTESSENCE FUND LP	149,468	0.50%
OTHER	3,747,401	12.48%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

31.03.2014
(unaudited)

Fair value of foreign currency forward contracts

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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.

As at 31 March 2014, there were no outstanding forward contracts in place.

Note 10 - Subsequent events

During April, the Company successfully completed a USD 125 million secured bond in the Norwegian bond market. The bond was issued with an interest rate of 7% with maturity in April 2019. Repayment terms are USD 5 million six monthly commencing in October 2014.

Also during April, the outstanding debt was fully repaid to Transocean. This included USD 2.9 million of additional interest charged by Transocean in respect of early settlement of the debt.

Also during April, legislation was published that addressed a change in bareboat chartering that caps the amount deductible for bareboat charter costs for UK Drilling Contractors. Based on the legislation as published, the Company's tax rate at a group level will increase.