



THIRD 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.

Q3 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 76.2 million (USD 66.3 million in Q2), EBITDA of USD 56.0 million (USD 42.4 million in Q2) and net profit of USD 38.1 million (USD 25.9 million in Q2).
- Revenue efficiency was 99.3% during the quarter (99.7% in Q2)
- Contract backlog at the end of Q3 was approximately USD 582 million (approximately USD 642 million Q2)
- The Board approved a dividend distribution payable in Q4 2014 of USD 1.15 per share. The share will trade ex-dividend on 18 November 2014, the record date is 19 November 2014 and the payment date is on or around 19 December 2014.

Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q3 2014	Q2 2014	Q1 2014	Q4 2013	2013
Contract revenue	76.2	66.3	62.7	61.4	236.5
Operating expenses	16.9	17.2	14.4	16.3	56.6
EBITDA	56.0	42.4	44.1	40.5	159.5
Net profit	38.1	25.9	34.5	31.6	122.3
EPS	1.27	0.86	1.15	1.05	4.07
Total assets	446.6	420.9	399.2	387.8	387.8
Total equity	204.0	200.3	209.0	207.5	207.5
Interest bearing debt	125.0	125.0	95.3	98.1	98.1
Gearing ratio	24.1%	28.6%	19.4%	18.1%	18.1%
Per day operating expenses	91,614	94,572	80,120	88,657	78,567

Financial Results – Third Quarter 2014

At the end of Q3 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 third quarter 2014 of USD 38.1 million.

Revenue earned in the third quarter was USD 76.2 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 16.9 million. General and administration expenses were USD 3.5 million. This includes costs of USD 0.9 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 third quarter was USD 56.0 million while the operating profit was USD 51.5 million.

Interest expenses amounted to USD 2.3 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 49.2 million. The tax charge for the quarter was USD 11.1 million. The resulting net profit was USD 38.1 million. Earnings per share (EPS) for the second quarter were USD 1.27.

Statement on financial position

As of 30 September 2014, total assets amounted to USD 446.6 million. At the same date, Awilco Drilling had USD 60.4 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2014 the WilPhoenix was in operations on Premier Oil UK Ltd's Solan location before moving to Marathon Oil UK Ltd during September where it remained through the end of the quarter.

Revenue efficiency for the quarter was 98.7%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 418 million.

WilHunter

In Q3 2014 the WilHunter was in continued operations for Hess UK Ltd.

Revenue efficiency for the quarter was 99.8%.

At the end of September, WilHunter had a total remaining contract backlog of approximately USD 164 million.

Capital Requirements and Dividend

The Company's intention is to pay a quarterly dividend in support of its main objective to maximise returns to shareholders. The sixth dividend payment was paid during the quarter. All of the Company's free cash flow is intended to be distributed subject to maintaining a robust cash buffer to support working capital requirements and planned capital expenditure.

Organisation

At the end of Q3 2014, Awilco Drilling's Aberdeen based employees numbered 31 permanent personnel supported by 2 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 210 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

During the quarter, the Board decided to modify the ownership structure of the assets and WilPhoenix was transferred from the Maltese owning entity to WilPhoenix (UK) Ltd who now own and operate the rig. The WilHunter remains under ownership by WilHunter (Malta) Ltd.

Market Outlook

Awilco Drilling is effectively contracted for the full year of 2014 and 2015. The UK market is, however, expected to see some seasonal availability of rigs during the coming winter season and beyond.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third 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 October, AWDR and Hess UK Ltd agreed to postpone the date by which the duration of the option of up to 275 days on WilHunter is to be declared, the option declaration date is not later than 25th February 2015.

Aberdeen, 11 November, 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.

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 2014	YTD	Q3 2013	YTD
	(unaudited)	30.09.14 (unaudited)	(unaudited)	30.09.13 (unaudited)
Contract revenue	74,568	201,854	61,429	172,419
Reimbursables	1,578	3,270	825	2,679
Other revenue	69	143	12	37
	<u>76,215</u>	<u>205,267</u>	<u>62,266</u>	<u>175,135</u>
Rig operating expenses	16,857	48,490	13,516	40,256
Reimbursables	306	874	272	1,035
General and administrative expenses	3,527	13,572	4,286	15,199
Other (income)	-	-	(2,132)	(2,200)
Other expense	(482)	(201)	-	1,900
Depreciation	4,507	13,369	4,405	13,194
	<u>24,715</u>	<u>76,104</u>	<u>20,347</u>	<u>69,384</u>
Operating profit	<u>51,500</u>	<u>129,163</u>	<u>41,919</u>	<u>105,751</u>
Interest income	59	114	38	100
Interest expense	(2,304)	(9,640)	(2,354)	(7,141)
Other financial items	-	-	-	(128)
Net financial items	<u>(2,245)</u>	<u>(9,526)</u>	<u>(2,316)</u>	<u>(7,169)</u>
Profit before tax	49,254	119,637	39,603	98,583
Tax (expense)	(11,115)	(21,091)	(2,986)	(7,882)
Net profit	<u>38,140</u>	<u>98,546</u>	<u>36,617</u>	<u>90,701</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>38,140</u>	<u>98,546</u>	<u>36,617</u>	<u>90,701</u>
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	38,140	98,546	36,617	90,701
Basic and diluted earnings per share	1.27	3.28	1.22	3.02

Condensed statement of financial position

in USD thousands

	30.09.2014	31.12.2013
	(unaudited)	(audited)
Rigs, machinery and equipment	251,477	245,279
Deferred tax asset	1,260	2,763
	<u>252,737</u>	<u>248,042</u>
Trade and other receivables	30,676	14,417
Prepayments and accrued revenue	22,171	25,835
Inventory	4,800	4,800
Cash and cash equivalents	60,399	52,347
Current tax	75,819	42,317
	<u>193,865</u>	<u>139,716</u>
Total assets	<u>446,602</u>	<u>387,758</u>
Paid in capital	130,142	130,142
Retained earnings	73,810	77,370
	<u>203,952</u>	<u>207,512</u>
Deferred tax liability	13	554
Long-term interest-bearing debt	115,000	87,098
	<u>115,013</u>	<u>87,652</u>
Current portion of long-term debt	10,000	11,000
Trade and other creditors	2,483	3,140
Accruals and provisions	20,777	25,182
Current tax payable	94,377	53,272
	<u>127,637</u>	<u>92,594</u>
Total equity and liabilities	<u>446,602</u>	<u>387,758</u>

**Condensed statement of changes in equity for the period from
1st January 2013 to 30 September 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 30 September 2014	-	98,547	98,547
Dividends paid	-	(102,107)	(102,107)
Balance as at 30 September 2014	130,142	73,810	203,952

Condensed statement of cash flow for the period

	YTD Q3 2014 (unaudited)	YTD Q3 2013 (unaudited)
Cash flow from operating activities		
Profit before tax	119,637	98,583
Depreciation	13,369	13,193
Interest cost	9,520	7,041
Sharebased payment	(5,132)	7,911
(Increase)/decrease in trade and other receivables	(16,260)	1,131
(Increase)/decrease in prepayments and accrued revenue	393	(6,932)
Increase/(decrease) in trade and other payables	1,196	(2,164)
Interests paid	(7,489)	(7,340)
Interests received	115	100
Taxation paid	(12,525)	(4,231)
Net cash flow from operating activities	102,824	107,293
Cash flow from investing activities		
Purchase of property, plant and equipment	(19,567)	(6,856)
Net cash flow from investing activities	(19,567)	(6,856)
Cash flow from financing activities		
Dividends paid	(102,107)	(60,063)
Issue of loans	125,000	-
Repayment of loans	(98,098)	(13,750)
Net cash flow from financing activities	(75,205)	(73,813)
Net increase/(decrease) in cash and cash equivalents	8,052	26,624
Cash and cash equivalents at beginning of the period	52,347	16,927
Cash and cash equivalents at the end of the period	60,399	43,551

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	19,540	28	19,567
Closing balance	325,729	1,235	326,964
Opening balance 1 Jan 2014	(61,393)	(724)	(62,117)
Depreciation	(13,141)	(228)	(13,369)
Accumulated depreciation per ending balance	(74,535)	(951)	(75,486)
Net carrying amount at end of period	251,194	284	251,478
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

The Company 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

	Total
Secured Bond	125,000
Repayment of debt	-
Total debt per end of accounting period	125,000
Current portion of long term debt	10,000
Long term debt per end of period	115,000
	125,000

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 Awilhelmsen which is a major shareholder through its wholly owned subsidiary Awilco Drilling AS.

Transactions with Awilhelmsen are specified as follows:

	<u>YTD Q3 2014</u>
Purchases	(774)
Payables	(284)

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.

Note 6 - 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 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 3 were USD 23.1 million.

Note 8 - Share capital

As of 30 September 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 30 September 2014	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	12,998,938	43.28%
EUROCLEAR BANK S.A.	1,852,944	6.17%
CITIBANK, N.A.	1,493,809	4.97%
UBS SECURITIES LLC	1,330,413	4.43%
Merrill Lynch Prof.	1,129,000	3.76%
JPMORGAN CHASE BANK	1,118,832	3.73%
CITIBANK, N.A.	925,014	3.08%
DEUTSCHE BANK AG	820,052	2.73%
Merrill Lynch,Pierce	697,591	2.32%
AVANZA BANK AB	613,584	2.04%
J.P. Morgan Chase Ba	604,223	2.01%
JPMORGAN CHASE BANK	534,931	1.78%
FIRST CLEARING A/C L	372,250	1.24%
NORDNET BANK AB	303,357	1.01%
DEUTSCHE BANK AG	292,807	0.97%
CLEARSTREAM BANKING	213,106	0.71%
JPMORGAN CHASE BANK	202,529	0.67%
SIX SIS AG	184,391	0.61%
JP MORGAN CLEARING	181,648	0.60%
PERSHING LLC	145,597	0.48%
OTHER	4,016,484	13.37%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Subsequent events

During October, AWDR and Hess UK Ltd agreed to postpone the date by which the duration of the option of up to 275 days on WilHunter is to be declared, the option declaration date is not later than 25th February 2015.