



SECOND QUARTER 2015

**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.**

### Q2 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 69.0 million (USD 68.5 million in Q1), EBITDA of USD 50.3 million (USD 52.2 million in Q1) and net profit of USD 35.3 million (USD 39.2 million in Q1).
- Revenue efficiency was 97.3% during the quarter (97.6% in Q1).
- Contract backlog at the end of Q2 was approximately USD 371 million (approximately USD 441 million Q1).
- The Board approved a dividend distribution payable in Q3 2015 of USD 0.50 per share. The share will trade ex-dividend on 25 August 2015, the record date is 26 August 2015 and the payment date is on or around 25 September 2015.

### Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q2 2015	Q1 2015	Q4 2014	2014
Contract revenue	69.0	68.5	70.9	276.1
Operating expenses	16.0	14.4	15.7	64.2
EBITDA	50.3	52.2	54.9	197.4
Net profit	35.3	39.2	38.9	137.5
EPS	1.18	1.31	1.30	4.58
Total assets	451.9	435.5	458.1	458.1
Total equity	237.9	217.6	208.4	208.4
Interest bearing debt	115.0	120.0	120.0	120.0
Gearing ratio	10.7%	13.8%	17.5%	17.5%
Per day operating expenses	87,908	79,737	85,258	87,915

## **Financial Results – Second Quarter 2015**

At the end of Q2 2015, the WilPhoenix was in continued drilling operations for Apache and the WilHunter was mobilised to Invergordon following successful completion of the decommissioning program for Hess Ltd.

### Comprehensive Income Statement

Awilco Drilling reports total comprehensive income for the second quarter 2015 of USD 35.3 million.

Revenue earned in the second quarter was USD 69.0 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 16.0 million. General and administration expenses were USD 2.5 million. This includes a credit of USD 0.1 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 second quarter was USD 50.3 million while the operating profit was USD 45.8 million.

Interest expenses amounted to USD 2.1 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 44.1 million. The tax charge for the quarter was USD 8.8 million. The resulting net profit was USD 35.3 million. Earnings per share (EPS) for the second quarter were USD 1.18.

### Statement on financial position

As of 30 June 2015, total assets amounted to USD 451.9 million. At the same date, Awilco Drilling had USD 86.4 million in cash and cash equivalents.

## **Operations and Contract Status**

### WilPhoenix

In Q2 2015 the WilPhoenix was in continued operations for Apache North Sea Ltd where it remained through the end of the quarter.

Revenue efficiency for the quarter was 95.0%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 312 million.

### WilHunter

In Q2 2015 the WilHunter was in continued operations for Hess UK Ltd.

Revenue efficiency for the quarter was 99.6%.

At the end of June, WilHunter had a total remaining contract backlog of approximately USD 59 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. 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 Q2 2015, Awilco Drilling's Aberdeen based employees numbered 29 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 208 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

## **Market Outlook**

The UK market remains quiet with limited tendering activity. Rigs are continuing to come off contracts and with limited prospects of new work, rig availability and subsequent stacking are set to increase further in 2015 and 2016.

The uncertain market outlook has led to some cold stacking and attrition.

## **Statement of Responsibility**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the second quarter of 2015, 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 July, Awilco Drilling and Hess Limited mutually agreed to release the WilHunter ahead of the 1<sup>st</sup> December 2015 contract date as a consequence of the successful early completion of the decommissioning program. There were no negative financial repercussions to Awilco Drilling as a result of this early release.
- During August, Awilco Drilling modified the ownership structure of the assets and WilHunter was transferred from the Maltese owning entity to WilHunter (UK) Ltd who now owns and operates the rig.

Oslo, 18 August, 2015

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](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

	Q2 2015	YTD	Q2 2014	YTD
	(unaudited)	30.06.15 (unaudited)	(unaudited)	30.06.14 (unaudited)
Contract revenue	68,366	136,205	65,075	127,286
Reimbursables	584	1,213	1,189	1,692
Other revenue	34	62	41	74
	<u>68,984</u>	<u>137,480</u>	<u>66,305</u>	<u>129,052</u>
Rig operating expenses	15,999	30,352	17,212	31,634
Reimbursables	206	474	373	568
General and administrative expenses	2,474	4,163	6,010	10,045
Other expense	-	-	269	281
Depreciation	4,527	9,046	4,462	8,862
	<u>23,206</u>	<u>44,035</u>	<u>28,326</u>	<u>51,390</u>
Operating profit	<u>45,778</u>	<u>93,445</u>	<u>37,979</u>	<u>77,662</u>
Interest income	19	90	17	56
Interest expense	(2,066)	(4,244)	(4,847)	(7,336)
Other financial items	385	(58)	-	-
Net financial items	<u>(1,662)</u>	<u>(4,212)</u>	<u>(4,830)</u>	<u>(7,280)</u>
Profit before tax	44,116	89,233	33,149	70,382
Tax (expense)	(8,771)	(14,651)	(7,224)	(9,976)
Net profit	<u>35,345</u>	<u>74,582</u>	<u>25,925</u>	<u>60,406</u>
Total comprehensive income	<u>35,345</u>	<u>74,582</u>	<u>25,925</u>	<u>60,406</u>
Attributable to shareholders of the parent	35,345	74,582	25,925	60,406
Basic and diluted earnings per share	1.18	2.48	0.86	2.01

## Condensed statement of financial position

in USD thousands

	<u>30.06.2015</u> (unaudited)	<u>31.12.2014</u> (audited)
Rigs, machinery and equipment	249,972	251,165
Deferred tax asset	545	2,486
	<u>250,517</u>	<u>253,651</u>
Trade and other receivables	23,472	12,116
Prepayments and accrued revenue	27,255	28,938
Inventory	4,787	4,800
Cash and cash equivalents	86,371	75,951
Current tax	59,545	82,594
	<u>201,430</u>	<u>204,399</u>
Total assets	<u><u>451,947</u></u>	<u><u>458,050</u></u>
Paid in capital	130,142	130,142
Retained earnings	107,746	78,211
	<u>237,888</u>	<u>208,353</u>
Deferred tax liability	2,960	0
Long-term interest-bearing debt	105,000	110,000
	<u>107,960</u>	<u>110,000</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	3,292	3,233
Accruals and provisions	16,405	17,942
Current tax payable	76,402	108,522
	<u>106,099</u>	<u>139,697</u>
Total equity and liabilities	<u><u>451,947</u></u>	<u><u>458,050</u></u>

**Condensed statement of changes in equity for the period from  
1st January 2014 to 30 June 2015**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2014	130,142	77,370	207,512
Total comprehensive profit to 31 December 2014	-	137,484	137,484
Dividends paid		(136,643)	(136,643)
Balance as at 31 December 2014	130,142	78,211	208,353
Total comprehensive profit to 30 June 2015	-	74,582	74,582
Dividends paid	-	(45,047)	(45,047)
Balance as at 30 June 2015	130,142	107,746	237,888

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

	YTD Q2 2015 (unaudited)	YTD Q2 2014 (unaudited)
Cash flow from operating activities		
Profit before tax	89,233	70,382
Depreciation	9,046	8,862
Interest cost	4,154	7,275
Sharebased payment	(413)	4,106
(Increase)/decrease in trade and other receivables	(11,369)	(21,435)
(Increase)/decrease in stock	13	-
(Increase)/decrease in prepayments and accrued revenue	1,696	(1,484)
Increase/(decrease) in trade and other payables	1,137	960
Interests paid	(6,446)	(7,421)
Interests received	90	56
Taxation paid	(18,821)	(11,916)
Net cash flow from operating activities	68,320	49,385
Cash flow from investing activities		
Purchase of property, plant and equipment	(7,853)	(16,379)
Net cash flow from investing activities	(7,853)	(16,379)
Cash flow from financing activities		
Dividends paid	(45,047)	(67,571)
Issue of loans	-	125,000
Repayment of loans	(5,000)	(98,098)
Net cash flow from financing activities	(50,047)	(40,669)
Net increase/(decrease) in cash and cash equivalents	10,420	(7,663)
Cash and cash equivalents at beginning of the period	75,951	52,347
Cash and cash equivalents at the end of the period	86,371	44,684

## **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, 2014. This interim report should be read in conjunction with the audited 2014 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 2015	329,321	1,872	331,194
Additions	7,841	12	7,853
Closing balance	337,163	1,884	339,047
Opening balance 1 Jan 2015	(78,994)	(1,035)	(80,029)
Depreciation	(8,952)	(94)	(9,046)
Accumulated depreciation per ending balance	(87,946)	(1,128)	(89,075)
Net carrying amount at end of period	249,217	756	249,972
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 and commenced in October 2014

	Total
Secured Bond	125,000
Repayment of debt	(10,000)
Total debt per end of accounting period	115,000
Current portion of long term debt	10,000
Long term debt per end of period	105,000
	115,000

### 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:

	YTD Q2 2015
Purchases	(259)
Payables	(157)

#### Note 4 - Segment information

The company owns the semi submersible rigs WilHunter and WilPhoenix. The company is only currently 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 1.0 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 Q2 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 2 were USD 24.3 million.

#### Note 8 - Share capital

As of 30 June 2015 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 June 2015	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 30 June	30,031,500			
Basic/diluted average number of shares, YTD	30,031,500			

Ranking	Shares	Ownership
AWILHELMOFFSHORE	12,998,938	43.28%
UBS SECURITIES LLC	2,753,837	9.17%
EUROCLEAR BANK S.A./	2,083,684	6.94%
CITIBANK, N.A.	1,266,883	4.22%
JPMORGAN CHASE BANK	1,157,802	3.86%
MERRILL LYNCH PROF.	1,129,000	3.76%
CITIBANK, N.A.	1,006,387	3.35%
MERRILL LYNCH,PIERCE	734,371	2.45%
AVANZA BANK AB MEGLE	676,124	2.25%
JPMORGAN CHASE BANK	485,686	1.62%
NORDNET BANK AB	445,050	1.48%
CLEARSTREAM BANKING	420,178	1.40%
FIRST CLEARING A/C L	393,099	1.31%
PERSHING LLC	256,739	0.85%
DEUTSCHE BANK AG	256,263	0.85%
SIX SIS AG	227,657	0.76%
JPMORGAN CHASE BANK	178,009	0.59%
JP MORGAN CLEARING C	144,220	0.48%
CITIBANK, N.A.	131,797	0.44%
THE BANK OF NEW YORK	117,295	0.39%
OTHER	3,168,481	10.55%
	<u>30,031,500</u>	<u>100.00%</u>

## **Note 9 - Derivative Financial Instrument**

in USD thousands

30.06.2015  
(unaudited)

Fair value of foreign currency forward contracts

\$277k

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.

## **Note 10 - Subsequent events**

During July, Awilco Drilling and Hess Limited mutually agreed to release the WilHunter ahead of the 1st December 2015 contract date as a consequence of the successful early completion of the decommissioning program. There were no negative financial repercussions to Awilco Drilling as a result of this early release.

During August, Awilco Drilling modified the ownership structure of the assets and WilHunter was transferred from the Maltese owning entity to WilHunter (UK) Ltd who now owns and operates the rig.