



THIRD 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.

Q3 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 90.4 million (USD 69.0 million in Q2), EBITDA of USD 74.0 million (USD 50.3 million in Q2) and net profit of USD 57.7 million (USD 35.3 million in Q2).
- Revenue efficiency was 90.3% during the quarter (97.3% in Q2)
- Contract utilisation was 60.2% during the quarter (100% in Q2)
- Contract backlog at the end of Q3 was approximately USD 276 million (approximately USD 371 million Q2)
- The Board approved a dividend distribution payable in Q4 2015 of USD 0.50 per share. The share will trade ex-dividend on 24 November 2015, the record date is 25 November 2015 and the payment date is on or around 18 December 2015.

Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	2014
Contract revenue	90.4	69.0	68.5	70.9	276.1
Operating expenses	14.5	16.0	14.4	15.7	64.2
EBITDA	74.0	50.3	52.2	54.9	197.4
Net profit	57.7	35.3	39.2	38.9	137.5
EPS	1.92	1.18	1.31	1.30	4.58
Total assets	507.1	451.9	435.5	458.1	458.1
Total equity	280.5	237.9	217.6	208.4	208.4
Interest bearing debt	115.0	115.0	120.0	120.0	120.0
Gearing ratio	-15.0%	10.7%	13.8%	17.5%	17.5%
Per day operating expenses	78,710	87,908	79,737	85,258	87,915

Financial Results – Third Quarter 2015

At the end of Q3 2015, the WilPhoenix was in continued drilling operations for Apache and the WilHunter remained hot stacked in Invergordon following early completion of the decommissioning programme for Hess.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive income for the third quarter 2015 of USD 57.7 million.

Revenue earned in the third quarter was USD 90.4 million. This includes contract revenue in respect of operations performed in the quarter plus an early release payment from Hess.

In the third quarter Awilco Drilling had rig operating expenses of USD 14.5 million. General and administration expenses were USD 1.8 million. This includes a credit of USD 0.4 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 70.4 million while the operating profit was USD 69.5 million.

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

Profit before tax was USD 67.2 million. The tax charge for the quarter was USD 9.5 million. The resulting net profit was USD 57.7 million. Earnings per share (EPS) for the second quarter were USD 1.92.

Statement on financial position

As of 30 September 2015, total assets amounted to USD 507 million. At the same date, Awilco Drilling had USD 151.5 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 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 88.7%. Contract utilisation was 100%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 276 million.

WilHunter

In Q3 2015 the WilHunter was in Invergordon on standby rate until early release from contract on 20 July. The rig remains hot stacked in Invergordon.

Revenue efficiency for the period until contract completion was 98%. Contract utilisation for the quarter was 20.4%.

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, planned capital expenditure and future market prospects.

Organisation

At the end of Q3 2015, Awilco Drilling's Aberdeen based employees numbered 29 permanent personnel supported by 3 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 206 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 the WilHunter was transferred from the Maltese owning entity to WilHunter (UK) Ltd which is now the rig owner and operator.

Market Outlook

The absence of new requirements means that units coming off contract are forced into layup. Very low tendering activity would indicate that the fleet of available units is likely to increase further in 2016.

Statement of Responsibility

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

Aberdeen, 18 November, 2015

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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 Axxess) 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 2015	YTD	Q3 2014	YTD
	(unaudited)	30.09.15 (unaudited)	(unaudited)	30.09.14 (unaudited)
Contract revenue	38,797	175,002	74,568	201,854
Reimbursables	316	1,530	1,578	3,270
Other revenue	51,308	51,370	69	143
	<u>90,421</u>	<u>227,902</u>	<u>76,215</u>	<u>205,267</u>
Rig operating expenses	14,483	44,835	16,857	48,490
Reimbursables	107	581	306	874
General and administrative expenses	1,817	5,981	3,527	13,572
Other expense	-	-	(482)	(201)
Depreciation	4,535	13,581	4,507	13,369
	<u>20,942</u>	<u>64,978</u>	<u>24,715</u>	<u>76,104</u>
Operating profit	<u>69,479</u>	<u>162,924</u>	<u>51,500</u>	<u>129,163</u>
Interest income	19	110	59	114
Interest expense	(2,126)	(6,370)	(2,304)	(9,640)
Other financial items	(152)	(210)	-	-
Net financial items	<u>(2,259)</u>	<u>(6,470)</u>	<u>(2,245)</u>	<u>(9,526)</u>
Profit before tax	67,220	156,454	49,255	119,637
Tax (expense)	(9,546)	(24,197)	(11,115)	(21,091)
Net profit	<u>57,674</u>	<u>132,257</u>	<u>38,140</u>	<u>98,546</u>
Total comprehensive income	<u>57,674</u>	<u>132,257</u>	<u>38,140</u>	<u>98,546</u>
Attributable to shareholders of the parent	57,674	132,257	38,140	98,546
Basic and diluted earnings per share	1.92	4.40	1.27	3.28

Condensed statement of financial position

in USD thousands

	<u>30.09.2015</u> (unaudited)	<u>31.12.2014</u> (audited)
Rigs, machinery and equipment	254,969	251,165
Deferred tax asset	455	2,486
	<u>255,424</u>	<u>253,651</u>
Trade and other receivables	18,403	12,116
Prepayments and accrued revenue	7,834	28,938
Inventory	4,914	4,800
Cash and cash equivalents	151,549	75,951
Current tax	68,939	82,594
	<u>251,639</u>	<u>204,399</u>
Total assets	<u><u>507,063</u></u>	<u><u>458,050</u></u>
Paid in capital	130,142	130,142
Retained earnings	150,405	78,211
	<u>280,547</u>	<u>208,353</u>
Deferred tax liability	7,817	0
Long-term interest-bearing debt	105,000	110,000
	<u>112,817</u>	<u>110,000</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	5,291	3,233
Accruals and provisions	16,657	17,942
Current tax payable	81,751	108,522
	<u>113,699</u>	<u>139,697</u>
Total equity and liabilities	<u><u>507,063</u></u>	<u><u>458,050</u></u>

**Condensed statement of changes in equity for the period from
1st January 2014 to 30 September 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 September 2015	-	132,257	132,257
Dividends paid	-	(60,063)	(60,063)
Balance as at 30 September 2015	130,142	150,405	280,547

Condensed statement of cash flow for the period

	YTD Q3 2015 (unaudited)	YTD Q3 2014 (unaudited)	
Cash flow from operating activities			
Profit before tax	156,454	119,637	
Depreciation	13,581	13,369	
Interest cost	6,260	9,520	
Sharebased payment	(906)	(5,132)	
(Increase)/decrease in trade and other receivables	(6,287)	(16,260)	
(Increase)/decrease in stock	(114)	-	
(Increase)/decrease in prepayments and accrued revenue	21,104	393	
Increase/(decrease) in trade and other payables	1,825	1,196	
Interests paid	(6,515)	(7,489)	
Interests received	110	115	
Taxation paid	(27,465)	(12,525)	
Net cash flow from operating activities	158,047	102,824	.
Cash flow from investing activities			
Purchase of property, plant and equipment	(17,386)	(19,567)	.
Net cash flow from investing activities	(17,386)	(19,567)	.
Cash flow from financing activities			
Dividends paid	(60,063)	(102,107)	.
Issue of loans	-	125,000	.
Repayment of loans	(5,000)	(98,098)	.
Net cash flow from financing activities	(65,063)	(75,205)	.
Net increase/(decrease) in cash and cash equivalents	75,598	8,052	.
Cash and cash equivalents at beginning of the period	75,951	52,347	.
Cash and cash equivalents at the end of the period	151,549	60,399	.

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	17,372	13	17,386
Closing balance	<u>346,693</u>	<u>1,886</u>	<u>348,579</u>
Opening balance 1 Jan 2015	(78,994)	(1,035)	(80,029)
Depreciation	(13,442)	(139)	(13,581)
Accumulated depreciation per ending balance	<u>(92,436)</u>	<u>(1,174)</u>	<u>(93,610)</u>
Net carrying amount at end of period	<u>254,258</u>	<u>712</u>	<u>254,969</u>
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	<u>(10,000)</u>
Total debt per end of accounting period	<u>115,000</u>
Current portion of long term debt	10,000
Long term debt per end of period	<u>105,000</u>
	<u>115,000</u>

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 Q3 2015
Purchases	(375)
Payables	(155)

Note 4 - 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 5 - Restricted cash

The company has restricted cash of USD 1.1 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 16.5 million.

Note 8 - Share capital

As of 30 September 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 September 2015	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
AWILHELMSSEN OFFSHORE	12,998,938	43.28%
UBS SECURITIES LLC	3,173,406	10.57%
EUROCLEAR BANK S.A./	1,887,259	6.28%
CITIBANK, N.A.	1,271,947	4.24%
CITIBANK, N.A.	1,192,771	3.97%
CITIGROUP GLOBAL MAR	1,131,100	3.77%
JPMORGAN CHASE BANK	1,056,733	3.52%
MERRILL LYNCH, PIERCE	716,597	2.39%
AVANZA BANK AB MEGLE	693,123	2.31%
JPMORGAN CHASE BANK	423,064	1.41%
CLEARSTREAM BANKING	415,445	1.38%
NORDNET BANK AB	399,747	1.33%
PERSHING LLC	281,950	0.94%
DEUTSCHE BANK AG	276,181	0.92%
SIX SIS AG	224,617	0.75%
FIRST CLEARING A/C L	205,347	0.68%
JPMORGAN CHASE BANK	152,959	0.51%
JP MORGAN CLEARING C	131,947	0.44%
STATE STREET BANK AN	130,316	0.43%
THE BANK OF NEW YORK	118,544	0.39%
OTHER	3,149,509	10.49%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

30.09.2015
(unaudited)

Fair value of foreign currency forward contracts

\$144k

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.