



THIRD QUARTER 2016

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 35.7 million (USD 24.4 million in Q2), EBITDA USD 25.3 million (USD 12.2 million in Q2) and net profit of USD 17.9 million (USD 6.9 million in Q2).
- Revenue efficiency was 99.1% during the quarter (95.3% in Q2)
- Contract utilisation was 50.0% during the quarter, (50 % in Q2)
- Contract backlog at the end of Q3 was approximately USD 195 million (approximately USD 231 million Q2)
- The Board approved a dividend distribution payable in Q4 2016 of USD 0.20 per share. The shares will trade ex-dividend on 22 November 2016, the record date is 23 November 2016 and the payment date is on or around 16 December 2016.

Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q3 2016	Q2 2016	Q1 2016	Q4 2015	2015
Contract revenue	35.7	24.4	0.0	19.1	247.0
Operating expenses	8.1	9.8	11.6	12.8	57.6
EBITDA	25.3	12.2	(13.4)	(26.3)	150.2
Net profit/(loss)	17.9	6.9	(18.7)	(21.3)	111.0
EPS	0.59	0.23	(0.62)	(0.71)	3.70
Total assets	381.2	363.2	426.2	455.5	426.2
Total equity	236.9	222.0	218.1	244.3	218.1
Interest bearing debt	105.0	105.0	110.0	110.0	110.0
Gearing ratio	15.8%	23.2%	3.9%	-11.5%	3.9%

Financial Results – Quarter 3, 2016

At the end of Q3 2016, the WilPhoenix was in continued operations for Apache North Sea Ltd at the Storr location and the WilHunter remained stacked in Invergordon.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the third quarter 2016 of USD 17.9 million.

Revenue earned in the third quarter was USD 35.7 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 8.1 million. General and administration expenses were USD 2.1 million. This includes USD 0.3 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 25.3 million while the operating profit was USD 21.8 million.

Interest expense amounted to USD 1.9 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 19.3 million. The tax charge for the quarter was USD 1.4 million resulting in a net profit of USD 17.9 million. Earnings per share (EPS) for the third quarter were USD 0.59.

Statement on financial position

As of 30 September 2016, total assets amounted to USD 381.2 million. At the same date, Awilco Drilling had USD 60.7 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2016 the WilPhoenix continued operations for Apache North Sea Ltd. at the Storr location.

Revenue efficiency for the quarter was 99.1%. Contract utilisation was 100%.

At the end of September, WilPhoenix had a total remaining contract backlog of approximately USD 195 million.

The standby revenue billing of USD 22.8 million booked in Q2 in respect of the period that Awilco Drilling was awaiting client instructions remains unresolved. Awilco Drilling and Apache North Sea Ltd. are in discussions to resolve this matter.

WilHunter

In Q3 2016 the WilHunter remained warm stacked in Invergordon and commenced cold stacking preparations late in the quarter.

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 uncertain future market prospects.

Organisation

At the end of Q3 2016, Awilco Drilling's Aberdeen based employees numbered 28 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 125 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

While Q3 2016 saw an upturn in semi-submersibles departing the northwest European market for scrapping, the continued oversupply has resulted in day rates at close to break-even levels. Higher levels of seasonal utilisation are materialising as fixtures in the market are announced. Decommissioning demand is crystalising but commencement windows are moving towards the spring of 2018.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third quarter of 2016, 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, 16 November, 2016

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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 2016	YTD	Q3 2015	YTD
	(unaudited)	30.09.16 (unaudited)	(unaudited)	30.09.15 (unaudited)
Contract revenue	35,324	59,759	38,797	175,002
Reimbursables	356	406	316	1,530
Other revenue	-	10	51,308	51,370
	<u>35,680</u>	<u>60,175</u>	<u>90,421</u>	<u>227,902</u>
Rig operating expenses	8,131	29,435	14,483	44,835
Reimbursables	113	113	107	581
General and administrative expenses	2,149	6,529	1,817	5,981
Depreciation	3,485	11,850	4,535	13,581
	<u>13,878</u>	<u>47,927</u>	<u>20,942</u>	<u>64,978</u>
Operating profit/(loss)	<u>21,802</u>	<u>12,248</u>	<u>69,479</u>	<u>162,924</u>
Interest income	143	610	19	110
Interest expense	(1,947)	(5,853)	(2,126)	(6,370)
Other financial items	(654)	(1,354)	(152)	(210)
Net financial items	<u>(2,458)</u>	<u>(6,597)</u>	<u>(2,259)</u>	<u>(6,470)</u>
Profit/(loss) before tax	19,344	5,651	67,220	156,454
Tax benefit/(expense)	(1,481)	459	(546)	(24,197)
Net profit/(loss)	<u>17,863</u>	<u>6,110</u>	<u>57,674</u>	<u>132,257</u>
Total comprehensive income/(loss)	<u>17,863</u>	<u>6,110</u>	<u>57,674</u>	<u>132,257</u>
Attributable to shareholders of the parent	17,863	6,110	57,674	132,257
Basic and diluted earnings per share	0.59	0.20	1.92	4.40

Condensed statement of financial position

in USD thousands

	30.09.2016	31.12.2015
	(unaudited)	(audited)
Rigs, machinery and equipment	242,846	234,336
Deferred tax asset	2,578	2,002
	<u>245,424</u>	<u>236,338</u>
Trade and other receivables	11,943	7,352
Prepayments and accrued revenue	36,225	2,682
Inventory	4,865	5,015
Cash and cash equivalents	60,672	135,257
Current tax	22,079	68,899
	<u>135,784</u>	<u>219,205</u>
Total assets	<u>381,208</u>	<u>455,543</u>
Paid in capital	130,142	130,142
Retained earnings	106,731	114,135
	<u>236,873</u>	<u>244,277</u>
Deferred tax liability	0	0
Long-term interest-bearing debt	95,000	100,000
	<u>95,000</u>	<u>100,000</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	1,811	5,990
Accruals and provisions	12,665	17,702
Current tax payable	24,859	77,574
	<u>49,335</u>	<u>111,266</u>
Total equity and liabilities	<u>381,208</u>	<u>455,543</u>

**Condensed statement of changes in equity for the period from
1st January 2015 to 30 September 2016**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2015	130,142	78,211	208,353
Total comprehensive profit to 31 December 2015	-	111,003	111,003
Dividends paid		(75,079)	(75,079)
Balance as at 31 December 2015	130,142	114,135	244,277
Total comprehensive loss to 30 September 2016	-	6,110	6,110
Dividends paid	-	(13,514)	(13,514)
Balance as at 30 September 2016	130,142	106,731	236,873

Condensed statement of cash flow for the period

	YTD Q3 2016 (unaudited)	YTD Q3 2015 (unaudited)
Cash flow from operating activities		
Profit before tax	5,651	156,454
Depreciation	11,850	13,581
Interest cost	5,243	6,260
Sharebased payment	(692)	(906)
(Increase)/decrease in trade and other receivables	(4,590)	(6,287)
(Increase)/decrease in stock	150	(114)
(Increase)/decrease in prepayments and accrued revenue	(33,544)	21,104
Increase/(decrease) in trade and other payables	(10,322)	1,825
Interests paid	(4,055)	(6,515)
Interests received	610	110
Taxation paid	(6,012)	(27,465)
Net cash flow from operating activities	(35,711)	158,047
Cash flow from investing activities		
Purchase of property, plant and equipment	(20,360)	(17,386)
Net cash flow from investing activities	(20,360)	(17,386)
Cash flow from financing activities		
Dividends paid	(13,514)	(60,063)
Repayment of loans	(5,000)	(5,000)
Net cash flow from financing activities	(18,514)	(65,063)
Net increase/(decrease) in cash and cash equivalents	(74,585)	75,598
Cash and cash equivalents at beginning of the period	135,257	75,951
Cash and cash equivalents at the end of the period	60,672	151,549

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, 2015. This interim report should be read in conjunction with the audited 2015 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
<u>Cost</u>			
Opening balance 1 Jan 2016	360,475	1,898	362,373
Additions	20,360	-	20,360
Closing balance	380,835	1,898	382,733
<u>Depreciation</u>			
Opening balance 1 Jan 2016	(126,821)	(1,216)	(128,037)
Depreciation charge	(11,785)	(65)	(11,850)
Accumulated depreciation per ending balance	(138,606)	(1,281)	(139,887)
Net carrying amount at end of period	242,229	617	242,846
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 in April 2014. 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	(20,000)
Total debt per end of accounting period	105,000
Current portion of long term debt	10,000
Long term debt per end of period	95,000
	105,000

Note 3 - Related party transactions

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 2016
Purchases	(319)
Payables	(41)

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 1.7 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 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 4.4 million.

Note 8 - Share capital

As of 30 September 2016 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 2016	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
AWILHELMOFFSHORE	12,998,938	43.28%
UBS SECURITIES LLC	4,490,445	14.95%
EUROCLEAR BANK N.V.	2,033,062	6.77%
CITIBANK, N.A.	1,651,942	5.50%
CITIBANK, N.A.	1,138,819	3.79%
CITIGROUP GLOBAL MAR	1,129,000	3.76%
BANK OF AMERICA N.A.	902,206	3.00%
AVANZA BANK AB	633,660	2.11%
MERRILL LYNCH, PIERCE	598,691	1.99%
CLEARSTREAM BANKING	488,534	1.63%
NORDNET BANK AB	339,967	1.13%
BNP PARIBAS, NEW YOR	335,348	1.12%
JP MORGAN CLEARING C	204,067	0.68%
UBS SWITZERLAND AG	176,551	0.59%
FIRST CLEARING LLC	147,190	0.49%
JPMORGAN CHASE BANK,	144,236	0.48%
INTERACTIVE BROKERS	131,982	0.44%
PERSHING LLC	128,084	0.43%
CITIBANK, N.A.	127,301	0.42%
DZ PRIVATBANK S.A.	109,448	0.36%
OTHER	2,122,029	7.07%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

	<u>30.09.2016</u> (unaudited)
Fair value of foreign currency forward contracts	\$(618)k

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