



AWILCO DRILLING

FOURTH QUARTER 2017 PRELIMINARY FULL YEAR 2017 RESULTS

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.

Q4 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 33.9 million (USD 32.4 million in Q3), EBITDA loss of USD 20.5 million (USD 20.9 million profit in Q3) and net loss of USD 23.8 million after an impairment charge of USD 45 million (USD 14.2 million profit in Q3).
- Revenue efficiency was 95.2% during the quarter (91.1 % in Q3).
- Contract utilisation was 50.0% during the quarter (50 % in Q3).
- Contract backlog at the end of Q4 was approximately USD 41 million (approximately USD 76 million Q3).
- The Board approved a dividend distribution payable in Q1 2018 of USD 0.20 per share. The shares will trade ex-dividend on 20 February 2018, the record date is 21 February 2018 and the payment date is on or around 23 March 2018.

Key financial figures:

In USD million, except EPS

USD million	Q4 2017	Q3 2017	2017	2016
Contract revenue	33.9	32.4	131.7	72.5
Operating expenses	7.2	8.1	27.8	36.7
EBITDA	(20.5)	20.9	49.8	26.7
Net (loss)/profit	(23.8)	14.2	21.3	2.3
EPS	(0.79)	0.47	0.71	0.08
Total assets	329.7	368.8	329.7	363.4
Total equity	224.3	254.1	224.3	227.1
Interest bearing debt	90.0	95.0	90.0	100.0
Gearing ratio	-15.0%	-8.9%	-15.0%	11.6%

Financial Results – Quarter 4, 2017

At the end of Q4 2017, the WilPhoenix was in operations for Apache North Sea Ltd at the Val D'Isere location and the WilHunter was cold stacked in Invergordon.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the fourth quarter 2017 of USD 23.8 million.

Revenue earned in the fourth quarter was USD 33.9 million. In the fourth quarter Awilco Drilling had rig operating expenses of USD 7.2 million. General and administration expenses were USD 2.0 million. This includes a credit of USD 1.3 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.

In the fourth quarter, Awilco Drilling incurred an impairment charge of USD 45 million, due to the erosion of the contract backlog and the continued downturn in both the UKCS and global drilling markets.

EBITDA for the fourth quarter was a loss of USD 20.5 million after an impairment charge of USD 45 million, while the operating loss was USD 24.4 million.

Interest expense amounted to USD 1.6 million, which relates to accrued interest on the secured bond. Interest income amounted to USD 0.6 million and foreign exchange gain was USD 1.0 million.

Loss before tax was USD 24.4 million. The tax benefit for the quarter was USD 0.2 million resulting in a net loss of USD 23.8 million. Earnings per share (EPS) for the fourth quarter were USD (0.79).

Statement on financial position

As of 31 December 2017, total assets amounted to USD 329.2 million. At the same date, Awilco Drilling had USD 119.3 million in cash and cash equivalents.

Financial Results – Full Year 2017

Awilco Drilling reports total comprehensive income for 2017 of USD 21.3 million. Total full year revenues were USD 131.7 million. Rig operating expenses were USD 27.8 million and general and administration expenses were USD 8.8 million. EBITDA for the year was USD 49.8 million after an impairment charge of USD 45 million, while the operating profit was USD 34.1 million. Profit before tax was USD 28.8 million. The tax charge for the year was USD 7.5 million. The resulting net profit was USD 21.3 million. Earnings per share (EPS) for the year were 0.71.

Operations and Contract Status

WilPhoenix

In Q4 2017 the WilPhoenix was in continued operations for Apache North Sea Ltd at the Callater and Titan locations before moving to the Val D'Isere location where it remained through the end of the quarter.

Revenue efficiency for the quarter was 95.2%. Contract utilisation was 100%.

At the end of December 2017, WilPhoenix had a total remaining contract backlog of approximately USD 41 million.

WilHunter

During Q4 2017 the WilHunter was cold stacked in Invergordon.

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 Q4 2017, Awilco Drilling's Aberdeen based employees numbered 24 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 117 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via a management agreement.

Market Outlook

While contract opportunities over the winter of 2018 into 2019 remain limited, a large number of enquiries in the quarter has matured into strong demand over the summer of 2018, with full utilisation of the UK marketed fleet forecast. Some operators will be forced to delay drilling plans and it remains to be seen if that will lead to higher levels of activity in the winter periods to come as the market recovery continues.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the fourth quarter of 2017, 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

In February, Awilco Drilling announced that following revisions to the project schedule the Letter of Award from Alpha Petroleum Resources Limited did not result in an agreed contract for WilPhoenix. At the same time, Awilco Drilling announced that it has signed a Letter of Intent with an undisclosed operator for the provision of WilPhoenix. The program is expected to commence around 1st September 2018, with an estimated duration of 450 days for an undisclosed dayrate.

Aberdeen, 14 February, 2018

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

	Q4 2017	Full Year	Q4 2016	Full Year
	(unaudited)	2017	(unaudited)	2016
		(unaudited)		(audited)
Contract revenue	33,525	130,403	34,823	94,582
Reimbursables	343	1,306	298	704
Other revenue	1	22	-	10
	<u>33,869</u>	<u>131,731</u>	<u>35,121</u>	<u>95,296</u>
Rig operating expenses	7,222	27,751	7,290	36,726
Reimbursables	137	357	74	187
General and administrative expenses	1,975	8,818	2,380	8,909
Depreciation	3,963	15,686	3,729	15,579
Impairment	45,000	45,000	-	-
	<u>58,297</u>	<u>97,612</u>	<u>13,473</u>	<u>61,401</u>
Operating (loss)/profit	<u>(24,428)</u>	<u>34,119</u>	<u>21,649</u>	<u>33,895</u>
Interest income	609	792	21	631
Interest expense	(1,615)	(6,919)	(1,805)	(7,658)
Other financial items	1,010	818	(1,125)	(2,479)
Net financial items	<u>4</u>	<u>(5,309)</u>	<u>(2,909)</u>	<u>(9,506)</u>
(Loss)/profit before tax	(24,424)	28,810	18,740	24,390
Tax benefit/(expense)	585	(7,555)	(3,823)	(3,364)
Net (loss)/profit	<u>(23,839)</u>	<u>21,255</u>	<u>14,917</u>	<u>21,026</u>
Total comprehensive (loss)/income	<u>(23,839)</u>	<u>21,255</u>	<u>14,917</u>	<u>21,026</u>
Attributable to shareholders of the parent	(23,839)	21,255	14,917	21,026
Basic and diluted earnings per share	(0.79)	0.71	0.50	0.70

Condensed statement of financial position

in USD thousands

	31.12.2017	31.12.2016
	(unaudited)	(audited)
Rigs, machinery and equipment	178,808	238,868
Deferred tax asset	1,954	3,058
	<u>180,762</u>	<u>241,926</u>
Trade and other receivables	17,168	17,269
Prepayments and accrued revenue	6,905	7,213
Inventory	4,809	4,844
Cash and cash equivalents	119,286	70,070
Current tax	227	22,079
	<u>148,395</u>	<u>121,475</u>
Total assets	<u><u>329,157</u></u>	<u><u>363,401</u></u>
Paid in capital	130,142	130,142
Retained earnings	94,156	96,926
	<u>224,298</u>	<u>227,068</u>
Deferred tax liability	-	1,129
Long-term interest-bearing debt	80,000	90,000
	<u>80,000</u>	<u>91,129</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	1,170	573
Accruals and provisions	9,519	10,708
Current tax payable	4,170	23,923
	<u>24,859</u>	<u>45,204</u>
Total equity and liabilities	<u><u>329,157</u></u>	<u><u>363,401</u></u>

**Condensed statement of changes in equity for the period from
1st January 2016 to 31 December 2017**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2016	130 142	114 135	244 277
Total comprehensive profit to 31 December 2016	-	2 311	2 311
Dividends paid		(19 520)	(19 520)
Balance as at 31 December 2016	130 142	96 926	227 068
Total comprehensive profit to 31 December 2017	-	21 255	21 255
Dividends paid	-	(24 025)	(24 025)
Balance as at 31 December 2017	130 142	94 156	224 298

Condensed statement of cash flow for the period

	Full Year 2017 (unaudited)	Full Year 2016 (audited)
Cash flow from operating activities		
Profit/(loss) before tax	28 810	24 390
Depreciation	15 686	15 579
Impairment	45 000	-
Interest cost	6 126	7 027
Sharebased payment	645	32
(Increase)/decrease in trade and other receivables	101	(32 741)
(Increase)/decrease in stock	36	171
(Increase)/decrease in prepayments and accrued revenue	307	(4 532)
Increase/(decrease) in trade and other payables	(1 058)	(12 302)
Interests paid	(7 097)	(7 798)
Interests received	792	631
Taxation paid	(5 481)	(6 013)
Net cash flow from operating activities	83 867	(15 556)
Cash flow from investing activities		
Purchase of property, plant and equipment	(626)	(20 111)
Net cash flow from investing activities	(626)	(20 111)
Cash flow from financing activities		
Dividends paid	(24 025)	(19 520)
Repayment of loans	(10 000)	(10 000)
Net cash flow from financing activities	(34 025)	(29 520)
Net increase/(decrease) in cash and cash equivalents	49 216	(65 187)
Cash and cash equivalents at beginning of the period	70 070	135 257
Cash and cash equivalents at the end of the period	119 286	70 070

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, 2016. This interim report should be read in conjunction with the audited 2016 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 2017	380,586	1,898	382,484
Additions	627	-	627
Closing balance	381,213	1,898	383,111
<u>Depreciation</u>			
Opening balance 1 Jan 2017	(142,319)	(1,297)	(143,616)
Depreciation charge	(15,619)	(68)	(15,687)
Impairment	(45,000)		(45,000)
Accumulated depreciation per ending balance	(202,938)	(1,365)	(204,303)
Net carrying amount at end of period	178,275	533	178,808
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	(35,000)
Total debt per end of accounting period	90,000
Current portion of long term debt	10,000
Long term debt per end of period	80,000
	90,000

Note 3 - Related party transactions

in USD thousands except per share data

Transactions with Awilhelmsen are specified as follows:

	YTD Q4 2017
Purchases	(795)
Payables	(208)

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 1.0 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 Q4 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 4 were USD 1.8 million.

Note 8 - Share capital

As of 31 December 2017 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 December 2017	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 31 December	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	4,686,226	15.60%
CITIBANK, N.A.	1,851,014	6.16%
EUROCLEAR BANK S.A./	1,771,631	5.90%
CITIGROUP GLOBAL MAR	1,129,000	3.76%
CITIBANK, N.A.	955,467	3.18%
BANK OF AMERICA, N.A	778,575	2.59%
AVANZA BANK AB	609,466	2.03%
CLEARSTREAM BANKING	528,874	1.76%
NORDNET BANK AB	371,100	1.24%
PERSHING LLC	366,923	1.22%
BNP PARIBAS	326,056	1.09%
MERRILL LYNCH, PIERC	303,183	1.01%
STATE STREET BANK AN	276,021	0.92%
INTERACTIVE BROKERS	175,471	0.58%
J.P. MORGAN SECURITI	164,048	0.55%
UBS SWITZERLAND AG	148,874	0.50%
FIRST CLEARING LLC	138,517	0.46%
DZ PRIVATBANK S.A. 0	125,000	0.42%
CITIBANK, N.A.	121,249	0.40%
OTHER	2,205,867	7.35%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

31.12.2017
(unaudited)

Fair value of foreign currency forward contracts	(\$123k)
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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. 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.

Note 10 - Subsequent events

In February, Awilco Drilling announced that following revisions to the project schedule the Letter of Award from Alpha Petroleum Resources Limited did not result in an agreed contract for WilPhoenix. At the same time, Awilco Drilling announced that it has signed a Letter of Intent with an undisclosed operator for the provision of WilPhoenix. The program is expected to commence around 1st September 2018, with an estimated duration of 450 days for an undisclosed dayrate.