



THIRD QUARTER 2012

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 total revenue of USD 44.4 million (USD 32.5 million in Q2 2012) and EBITDA of USD 24.2 million (USD 13.7million in Q2 2012)
- Revenue efficiency was 96.6% during the quarter (70.8% in Q2 2012)
- Contract backlog at the end of Q3 was USD 343 million

Key financial figures:

USD Million	Q3 2012	Q2 2012	Q1 2012	2011
Total revenue	44.4	32.5	22.6	76.3
Operating expenses	13.4	14.9	13.8	42.4
EBITDA	24.2	13.7	3.4	19.2
Net profit / (loss)	14.4	5.2	(4.1)	(6.8)
Total assets	310.9	306.7	302.8	311.6
Total equity	154.4	140.1	134.9	135.8
Interest bearing debt	132.5	141.1	142.7	154.8
Gearing ratio	42.4%	48.2%	48.8%	48.9%
Per day operating expenses*	72,872	82,017	76,470	71,171

*Opex expense in 2011 for Q3 / Q4 only

Financial Results – Third Quarter 2012

At the end of Q3 2012, the WilPhoenix was in continued operations for Hess Limited, while the WilHunter was in operations for Suncor after finishing the contract with Ithaca Energy (UK) Limited on the same date.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the third quarter 2012 of USD 14.4 million.

There was revenue of USD 44.4 million earned during the quarter.

In the third quarter Awilco Drilling had rig operating expenses of USD 13.4 million. General and administration expenses were USD 3.5 million. This includes a provision of USD 1.0 million in respect of the stock award of synthetic stock options which are restated each quarter based on the value of the Company's shares.

There was an increase in the provision for doubtful debts of USD 3.0 million in respect of outstanding receivables in accordance with the Company's doubtful debt policy. AWDR hereby clarifies the status of the dispute with AGR. The sum of USD 5.8 million billed in respect of the second well for Antrim under the AGR contract remains unpaid. A without prejudice payment by AGR in the amount of USD 1.25 million was made in June whilst AGR continue to address matters with their client Antrim. MPX continues to withhold payment to Awilco Drilling as a set off against the unresolved claim for consequential loss from MPX towards Awilco Drilling and due legal process continues.

EBITDA for the third quarter was USD 24.2 million while the operating profit was USD 19.8 million.

Interest expenses amounted to USD 3.4 million, which relates to accrued interest on the seller's credit with Transocean and accrued interest on the drawn amount of the working capital loan.

Profit before tax was USD 16.2 million. The tax charge for the quarter was USD 1.8 million on profits in the quarter. The resulting net profit was USD 14.4 million. Earnings per share (EPS) for the third quarter were USD 0.48.

Statement on financial position

As of 30 September 2012, total assets amount to USD 310.9 million. At the same date, Awilco Drilling had USD 18.8 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 100.8 million. There was a payment of USD 5.3 million during the quarter in respect of the working capital loan of which USD 5.1 million was in respect of loan repayment and USD 0.2 million of associated interest.

There was also a payment in respect of the seller's credit loan of USD 5.6 million of which USD 2.8 million was in respect of loan repayment and USD 2.8 million of associated interest. Total loan repayments in the quarter to Transocean were USD 7.9 million together with USD 3.0 million of associated interest.

Operations and Contract Status

WilPhoenix

In Q3 2012 the WilPhoenix was in continued operations for Hess Limited for the well abandonment program on the Fife and Fergus fields.

Revenue efficiency for the quarter was 99.5%.

At the end of September, WilPhoenix had a total remaining contract backlog of about USD 161 million.

WilHunter

In Q3 2012 the WilHunter was on contract with Ithaca until 16 September and then moved location and commenced operations for Suncor in direct continuation.

Revenue efficiency for the quarter was 93.5%.

During the third quarter, WilHunter secured a new contract with a total value of USD 144 million. At the end of September, WilHunter had a total remaining contract backlog of about USD 182 million.

Capital Requirements, Funding and Dividend

At the end of Q3 2012 USD 5.1 million remains drawn down on the working capital facility from Transocean.

The loan facility of USD 15 million with AWDR's two primary shareholders, represented by Awilco Drilling AS and Tompkins Square Park S.a.r.l. remained in place, with USD 5 million remaining undrawn.

The Company's objective is to pay a regular dividend in support of the Company's main objective to maximise returns to shareholders. A dividend payment on a quarterly basis is expected to commence during the first half of 2013. All of the company's free cash flow is intended to be distributed subject to establishing a robust cash buffer to support operational working capital requirements and planned capital expenditure. In the case of attractive growth opportunities the company will endeavour to retain a significant dividend distribution.

Organisation

At the end of Q3 2012, Awilco Drilling's Aberdeen based employees numbered 26 permanent personnel supported by 3 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 190 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

The UK market remains tight with limited availability through to 2014, and the tightness of the market makes it more likely that options on existing contracts will be exercised.

Recent leading dayrates for standard semis in the UK have now passed USD 400,000 per day for the first time since 2008.

Both WilPhoenix and Wilhunter will become available in 2014 and should be well positioned to benefit from the tightness in the UK market.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third quarter of 2012, 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

- On 2nd October the WilPhoenix commenced operations for Premier to drill the Spaniards well in the Central North Sea.
- Early November, the outstanding commercial dispute with Nautical Petroleum noted in our Q4 2011 report was resolved by Nautical making a payment of USD 3.75 million in full and final settlement to Awilco Drilling in respect of approved invoices, as well as the counter claim submitted by Nautical Petroleum to Awilco Drilling.
- In mid-November the drawn down amount of the shareholder loan was repaid in full in the amount of USD 10.0 million.

Aberdeen, 28 November, 2012

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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 2012	YTD	Q3 2011	YTD
	(unaudited)	Q3 2012	(unaudited)	Q3 2011
		(unaudited)	(unaudited)	(unaudited)
Contract revenue	43,427	95,085	35,829	36,338
Reimbursables	625	1,209	230	235
Other revenue	332	3,180	3	3
	<u>44,384</u>	<u>99,474</u>	<u>36,062</u>	<u>36,576</u>
Rig operating expenses	13,408	42,100	13,255	29,481
Reimbursables	239	501	145	149
Provision for doubtful debts	2,973	6,138	-	-
General and administrative expenses	3,526	9,431	1,893	7,793
Depreciation	4,439	13,255	4,341	10,681
	<u>24,585</u>	<u>71,425</u>	<u>19,635</u>	<u>48,104</u>
Operating profit/(loss)	<u>19,799</u>	<u>28,049</u>	<u>16,427</u>	<u>(11,528)</u>
Interest income	3	14	18	95
Interest expense	(3,382)	(10,446)	(3,781)	(10,231)
Other financial items	(230)	(294)	101	2,880
Net financial items	<u>(3,609)</u>	<u>(10,726)</u>	<u>(3,662)</u>	<u>(7,256)</u>
Profit/(Loss) before tax	16,190	17,323	12,765	(18,784)
Tax (expense)/benefit	(1,834)	(1,827)	2,377	1,129
Net profit/(loss)	<u>14,356</u>	<u>15,496</u>	<u>15,141</u>	<u>(17,655)</u>
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	<u>14,356</u>	<u>15,496</u>	<u>15,141</u>	<u>(17,655)</u>
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	14,356	15,496	15,141	(17,655)
Basic and diluted earnings per share	0.48	0.52	0.50	(0.62)

Condensed statement of financial position

in USD thousands

	<u>30.09.2012</u>	<u>31.12.2011</u>
	(unaudited)	(audited)
Rigs, machinery and equipment	<u>252,354</u>	<u>262,573</u>
	<u>252,354</u>	<u>262,573</u>
Trade and other receivables	18,765	8,857
Prepayments and accrued revenue	16,195	14,271
Inventory	4,800	4,800
Cash and cash equivalents	<u>18,829</u>	<u>25,100</u>
	<u>58,589</u>	<u>53,028</u>
Total assets	<u><u>310,943</u></u>	<u><u>315,601</u></u>
Paid in capital	130,142	130,142
Retained earnings	<u>24,298</u>	<u>8,811</u>
	<u>154,440</u>	<u>138,953</u>
Deferred tax liability	0	657
Long-term interest-bearing debt	<u>100,848</u>	<u>109,098</u>
	<u>100,848</u>	<u>109,755</u>
Current portion of long-term debt	31,631	45,667
Trade and other creditors	2,366	3,124
Accruals and provisions	18,005	16,122
Current tax payable	<u>3,653</u>	<u>1,980</u>
	<u>55,655</u>	<u>66,893</u>
Total equity and liabilities	<u><u>310,943</u></u>	<u><u>315,601</u></u>

**Condensed statement of changes in equity for the period from
1st January 2011 to 30 September 2012**

in USD thousands

	Paid-in-equity	Translation differences	Other equity (retained earnings)	Total equity
Equity at 1 January 2011	111,388	0	12,444	123,832
Equity Issue at 1 June 2011	17,514	0	0	17,514
Equity issue costs 1 June 2011	(490)	0	0	(490)
Stamp duty tax refund	1,730	0	0	1,730
Total comprehensive loss to 31 December 2011	0	0	(3,642)	(3,642)
Balance as at 31 December 2011	130,142	0	8,802	138,944
Total comprehensive profit to 30 September 2012	0	0	15,496	15,496
Balance as at 30 September 2012	130,142	0	24,298	154,440

Condensed statement of cash flow for the period

	YTD Q3 2012 (unaudited)	YTD Q3 2011 (audited)
Cash flow from operating activities		
Profit/(Loss) before tax	17,323	(18,784)
Depreciation	13,255	10,670
Interest cost	10,433	10,136
(Increase)/decrease in trade and other receivables	(6,184)	(6,480)
(Increase)/decrease in stock	0	(213)
(Increase)/decrease in prepayments and accrued revenue	(3,788)	(13,152)
Increase/(decrease) in trade and other payables	(2,011)	5,437
Increase/(decrease) in provisions and accrued expenses	5,172	(11,825)
Interests paid	(13,736)	(10,136)
Interests received	14	0
Taxation paid	(1,427)	0
Net cash flow from operating activities	19,051	(34,348)
Cash flow from investing activities		
Purchase of property, plant and equipment	(3,036)	(67,989)
(Increase)/decrease in investments	0	0
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(3,036)	(67,989)
Cash flow from financing activities		
Proceeds from issue of share capital	0	17,514
Equity issue costs	0	1,240
Issue of loans	10,000	29,000
Repayment of loans	(32,286)	(2,750)
Net cash flow from financing activities	(22,286)	45,004
Net increase/(decrease) in cash and cash equivalents	(6,271)	(57,333)
Cash and cash equivalents at beginning of the period	25,100	67,707
Cash and cash equivalents at the end of the period	18,829	10,374

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, 2011. This interim report should be read in conjunction with the audited 2011 financial statements, which include a full description of the Group's significant accounting policies.

Provision for doubtful debt is calculated by analysing outstanding receivables and creating a provision using a fixed formula to provide a percentage of the uncollected amount based on the length of time the amount has remained unpaid.

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 2012	288,481	1,128	289,609
Additions	3,036	-	3,036
Disposals	-	-	-
Closing balance	291,516	1,128	292,645
Opening balance 1 Jan 2012	(26,788)	(247)	(27,035)
Depreciation	(13,081)	(174)	(13,255)
Disposals	-	-	-
Accumulated depreciation per ending balance	(39,870)	(421)	(40,291)
Net carrying amount at end of period	251,647	707	252,354
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

Deferred Payment Deed (Seller's Credit)

In connection with the acquisition of the rigs from Transocean, the Company was granted a five year Seller's Credit from Transocean of USD 165 million. The borrowings are secured by first priority mortgages on the drilling rigs. The interest rate is 9%. Repayment terms are quarterly repayments of USD 2.8 million over five years and a final repayment of USD 87 million. There is an option to defer a maximum of two principal repayments and during 2011 the Company deferred US\$ 5.5 million. The interest rate on the deferred repayments is 12%.

Working Capital Loan Agreement

Awilco Drilling entered into an agreement with Transocean for a three year Working Capital facility of USD 35 million, and the funds were available for draw down over a period of 18 months. The Loans are specified for the purpose of providing funds for working capital and/or capital expenditure for WilPhoenix and WilHunter. The borrowings are secured by second priority mortgages on the drilling rigs. The interest rate is 10%.

Shareholder Loan

Awilco Drilling entered into an agreement with two of its primary shareholders, represented by Awilco Drilling AS and Tompkins Square Park S.a.r.l. for a facility of USD 10 million which was drawn down in Q2 2012. At the same time the loan facility was extended by both time and amount to 30th June 2013 and USD 15 million respectively. The increased USD 5 million remains in place.

	AWDR	WilPhoenix	WilHunter	Total
Seller's Credit initially granted	-	82,500	82,500	165,000
Repayment of debt	-	(11,000)	(36,652)	(47,652)
Drawdown on Working Capital Debt	-	4,105	1,026	5,131
Shareholder Loan	10,000	-	-	10,000
Total debt per end of accounting period	10,000	75,605	46,874	132,479
Current portion of long term debt	10,000	12,355	9,276	31,631
Long term debt per end of period	-	63,250	37,598	100,848
	10,000	75,605	46,874	132,479

(1) Drawdown on Working Capital Loan:

In total, USD 35 million has been drawn on the Working Capital loan. Interest accrued on or before 14th July 2012 was accumulated and paid in whole on 14th July 2012 along with the fourth scheduled repayment of USD 5.8 million.

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

Transactions with AWILHELMSSEN are specified as follows:

	<u>Q3 2012</u>
Sales	-
Purchases	(466)
Interest	(649)
Receivables	-
Payables	-

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 - Corporation taxes

If the operation of the rigs change among foreign jurisdictions, and the methods of taxation in these jurisdictions varies, the effective tax rate may be subject to change.

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.

The tax charge in the quarter was USD 1.8 million calculated using the effective group tax rate on profits during the quarter.

Note 6 - Subsequent events

On 2nd October the WilPhoenix commenced operations for Premier to drill the Spaniards well in the Central North Sea.

Early November, the outstanding commercial dispute with Nautical Petroleum noted in our Q4 2011 report was resolved by Nautical making a payment of USD 3.75 million in full and final settlement to Awilco Drilling in respect of approved invoices, as well as the counter claim submitted by Nautical Petroleum to Awilco Drilling.

In mid November the drawn down amount of the shareholder loan was repaid in full in the amount of USD 10.0 million.

Note 7 - Capital Commitments

Outstanding Capital Commitments as at the end of Quarter 3 were USD 2.4 million.

Note 8 - Share capital

As of 30th September 2012 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 2012	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	14,633,100	48.73%
Euroclear Bank SA	2,274,100	7.57%
Odin Offshore	1,300,000	4.33%
Deutsche Bank AG, London	1,189,537	3.96%
Frank Mohn AS	1,052,575	3.50%
Goldman Sachs & Co	1,015,400	3.38%
QVT Fund V LP	851,898	2.84%
Stenshagen Invest AS	803,860	2.68%
Arctic Funds PLC	545,653	1.82%
VPF Nordea Kapital	416,380	1.39%
Storebrand Optima	403,491	1.34%
SHB Stockholm	384,436	1.28%
KLP Aksje Norge VPF	276,131	0.92%
VPF Nordea Avkastning	255,446	0.85%
MP Pensjon PK	236,000	0.79%
VPF Nordea Norge	232,749	0.78%
Aksjefondet Handelsbanken	200,000	0.67%
Alcides Holding AS	200,000	0.67%
Invesco Perp Eur	165,713	0.55%
Kommunal Landspensjonskasse	163,762	0.55%
Other Shareholders	<u>3,431,269</u>	<u>11.43%</u>
	<u>30,031,500</u>	<u>100.00%</u>