



AWILCO DRILLING

FOURTH QUARTER 2013 AND PRELIMINARY FULL YEAR 2013 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 61.4 million (USD 62.3 million in Q3), EBITDA of USD 40.5 million (USD 46.3 million in Q3) and net profit of USD 31.6 million (USD 36.6 million in Q3).
- Revenue efficiency was 95.6% during the quarter (98.9% in Q3)
- Contract backlog at the end of Q4 was approximately USD 762 million (approximately USD 797 million Q3)
- The Board approved a dividend distribution payable in Q1 2014 of USD 1.10 per share. The share will trade ex-dividend on 4 March 2014, the record date is 6 March 2014, and the payment date is on or about 20 March 2014.

Key financial figures:

In USD million, except per day operating expenses

USD million	Q4 2013	Q3 2013	2013	2012
Contract revenue	61,4	62,3	236,5	152,2
Operating expenses	16,3	13,5	56,6	56,5
EBITDA	40,5	46,3	159,5	73,9
Net profit	31,6	36,6	122,3	39,4
Total assets	387,8	364,8	387,8	316,3
Total equity	207,5	209,0	207,5	177,4
Interest bearing debt	98,1	100,8	98,1	114,6
Gearing ratio	18,1%	21,5%	18,1%	35,5%
Per day operating expenses	88 657	73 457	78 567	77 247

Financial Results – Fourth Quarter 2013

At the end of Q4 2013, both of Awilco Drilling's rigs were in continued drilling operations for their respective clients.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive income for the fourth quarter 2013 of USD 31.6 million.

Revenue earned in the fourth quarter was USD 61.4 million.

In the fourth quarter Awilco Drilling had rig operating expenses of USD 16.3 million. General and administration expenses were USD 5.7 million. This includes costs of USD 3.3 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.

Other income is USD 1.3 million of which USD 1.1 million is in respect of final settlement of an outstanding insurance claim and USD 0.2 million in respect of gain on foreign exchange.

EBITDA for the fourth quarter was USD 40.5 million while the operating profit was USD 31.6 million.

Interest expenses amounted to USD 2.2 million, which relates to accrued interest on the seller's credit with Transocean.

Profit before tax was USD 33.9 million. The tax charge for the quarter was USD 2.3 million on profits in the quarter. The resulting net profit was USD 31.6 million. Earnings per share (EPS) for the fourth quarter were USD 1.05.

Statement on financial position

As of 31 December 2013, total assets amounted to USD 384.5 million. At the same date, Awilco Drilling had USD 52.3 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 87.1 million.

There was a payment of USD 5.0 million during the quarter in respect of the seller's credit loan of which USD 2.8 million was capital repayment and USD 2.2 million of interest.

Financial Results – Full Year 2013

Awilco Drilling reports total comprehensive income for 2013 of USD 122.3 million. Total full year revenues were USD 236.5 million. Rig operating expenses were USD 56.6 million and general and administration expenses were USD 20.9 million. EBITDA for the year was USD 159.5 million while the operating profit was USD 141.9 million. Profit before tax was USD 132.5 million. The tax charge for the year was USD 10.2 million. The resulting net profit was USD 122.3 million. Earnings per share (EPS) for the year were USD 4.07.

Market Outlook

Availability in the UK mid-water semi-submersible drilling market remains tight in H1 2014. There is however potential for some rig capacity in H2 2014 & 2015, as some existing rig contracts draw to a conclusion and follow-on work has yet to be confirmed.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the fourth quarter of 2013, 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, 24 February, 2013

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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 2013	Full Year	Q4 2012	Full Year
	(unaudited)	2013	(unaudited)	2012
		(unaudited)		(audited)
Contract revenue	60,733	233,152	51,799	147,210
Reimbursables	635	3,314	770	4,800
Other revenue	29	66	184	217
	<u>61,397</u>	<u>236,532</u>	<u>52,753</u>	<u>152,227</u>
Rig operating expenses	16,313	56,568	14,445	56,545
Reimbursables	204	1,239	450	951
Provision for doubtful debts	-	-	3,562	9,700
General and administrative expenses	5,688	20,887	1,702	11,132
Other (income)	(1,335)	(3,535)	-	-
Other expense	-	1,900	-	-
Depreciation	4,415	17,609	4,219	17,474
	<u>25,285</u>	<u>94,668</u>	<u>24,378</u>	<u>95,802</u>
Operating profit	<u>36,112</u>	<u>141,864</u>	<u>28,375</u>	<u>56,424</u>
Interest income	20	120	5	19
Interest expense	(2,238)	(9,379)	(3,001)	(13,447)
Other financial items	-	(128)	(626)	(920)
Net financial items	<u>(2,218)</u>	<u>(9,387)</u>	<u>(3,622)</u>	<u>(14,348)</u>
Profit before tax	33,894	132,477	24,753	42,076
Tax (expense)	(2,332)	(10,214)	(1,842)	(2,682)
Net profit	<u>31,561</u>	<u>122,263</u>	<u>22,911</u>	<u>39,394</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>31,561</u>	<u>122,263</u>	<u>22,911</u>	<u>39,394</u>
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	31,561	122,263	22,911	39,394
Basic and diluted earnings per share	1.05	4.07	0.76	1.31

Condensed statement of financial position

in USD thousands

	<u>31.12.2013</u> (unaudited)	<u>31.12.2012</u> (audited)
Rigs, machinery and equipment	245,279	250,173
Deferred tax asset	<u>2,763</u>	<u>853</u>
	<u>248,042</u>	<u>251,026</u>
Trade and other receivables	14,417	22,285
Prepayments and accrued revenue	25,835	15,529
Inventory	4,800	4,800
Cash and cash equivalents	52,347	16,926
Current tax	<u>42,317</u>	<u>6,542</u>
	<u>139,716</u>	<u>66,082</u>
Total assets	<u><u>387,758</u></u>	<u><u>317,108</u></u>
Paid in capital	130,142	130,142
Retained earnings	<u>77,370</u>	<u>48,206</u>
	<u>207,512</u>	<u>178,348</u>
Deferred tax liability	554	769
Long-term interest-bearing debt	<u>87,098</u>	<u>98,098</u>
	<u>87,652</u>	<u>98,867</u>
Current portion of long-term debt	11,000	16,500
Trade and other creditors	3,140	1,965
Accruals and provisions	25,182	12,041
Current tax payable	<u>53,272</u>	<u>9,387</u>
	<u>92,594</u>	<u>39,893</u>
Total equity and liabilities	<u><u>387,758</u></u>	<u><u>317,108</u></u>

**Condensed statement of changes in equity for the period from
1st January 2012 to 31 December 2013**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2012	130,142	8,812	138,954
Total comprehensive profit to 31 December 2012	-	39,394	39,394
Balance as at 31 December 2012	130,142	48,206	178,348
Total comprehensive profit to 31 December 2013	-	122,263	122,263
Dividends paid	-	(93,098)	(93,098)
Balance as at 31 December 2013	130,142	77,370	207,512

Condensed statement of cash flow for the period

	Full Year 2013 (unaudited)	Full Year 2012 (audited)
Cash flow from operating activities		
Profit before tax	132,477	42,076
Depreciation	17,609	17,474
Interest cost	9,387	14,110
Sharebased payment	9,653	2,024
(Increase)/decrease in trade and other receivables	7,868	(13,428)
(Increase)/decrease in prepayments and accrued revenue	(10,306)	(1,257)
Increase/(decrease) in trade and other payables	4,918	2,118
Interests paid	(9,761)	(23,511)
Interests received	120	19
Taxation paid	(4,231)	(2,558)
Net cash flow from operating activities	157,734	37,067
Cash flow from investing activities		
Purchase of property, plant and equipment	(12,715)	(5,074)
Net cash flow from investing activities	(12,715)	(5,074)
Cash flow from financing activities		
Dividends paid	(93,098)	-
Issue of loans	-	10,000
Repayment of loans	(16,500)	(50,167)
Net cash flow from financing activities	(109,598)	(40,167)
Net increase/(decrease) in cash and cash equivalents	35,421	(8,174)
Cash and cash equivalents at beginning of the period	16,926	25,100
Cash and cash equivalents at the end of the period	52,347	16,926

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, 2012. This interim report should be read in conjunction with the audited 2012 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 2013	293,554	1,128	294,682
Additions	12,635	81	12,716
Disposals	-	(2)	(2)
Closing balance	306,189	1,207	307,396
Opening balance 1 Jan 2013	(44,031)	(480)	(44,511)
Depreciation	(17,362)	(247)	(17,609)
Disposals	-	1	1
Accumulated depreciation per ending balance	(61,393)	(724)	(62,117)
Net carrying amount at end of period	244,796	483	245,279
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 is due in January 2015.

	WilPhoenix	WilHunter	Total
Seller's Credit initially granted	82,500	82,500	165,000
Repayment of debt	(20,625)	(46,277)	(66,902)
Total debt per end of accounting period	61,875	36,223	98,098
Current portion of long term debt	5,500	5,500	11,000
Long term debt per end of period	56,375	30,723	87,098
	61,875	36,223	98,098

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>YTD Q4 2013</u>
Sales	-
Purchases	(815)
Loan commitment fee	(72)
Receivables	-
Payables	(192)

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 - Restricted cash

The company has restricted cash of USD 1 million which has been deposited in relation to the forward hedge agreements as detailed in Note 10. The restricted cash is classified as "Cash and cash equivalents" in the Statement of Financial Position.

Note 6 - 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 Q4 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 4 were USD 6.9 million.

Note 8 - Share capital

As of 31st December 2013 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 2013	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
Awilco Drilling AS	14,633,100	48.73%
Euroclear Bank SA	1,939,013	6.46%
ML Professional Clearing Group	1,129,000	3.76%
Citibank	855,884	2.85%
QVT Fund V LP	851,898	2.84%
JPMorgan Chase Bank	579,571	1.93%
Citibank	523,643	1.74%
Deutsche Bank AG	491,387	1.64%
Merrill Lynch, Pierce, Fenner & Son	438,436	1.46%
Goldman Sachs & Co Equity	404,604	1.35%
UBS Securities LLC	378,166	1.26%
Morgan Stanley & Co LLC	346,877	1.16%
Avanza Bank AB	333,253	1.11%
Citibank	258,806	0.86%
Nordnet Bank AB	236,578	0.79%
J.P. Morgan Chase Bank London	236,081	0.79%
JPMorgan Chase Bank	234,627	0.78%
VPF Nordea Norge Verdi	232,749	0.78%
Skandinaviska Enskilda Banken	232,433	0.77%
State Street Bank and Trust Co.	226,944	0.76%
Other	5,468,450	18.21%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

31.12.2013
(unaudited)

Fair value of foreign currency forward contracts \$562k

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.