



FIRST 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.**

### Q1 Report – Highlights

- Awilco Drilling PLC reported contract revenue of nil (USD 19.1 million in Q4), EBITDA USD 13.4 million loss (USD 26.3 million loss in Q4) and net loss of USD 18.7 million (USD 32.9 million loss in Q4).
- Revenue efficiency was nil during the quarter (97.7 % in Q4).
- Contract utilisation including unpaid shipyard time was 50.0% during the quarter (50 % in Q4).
- The WilPhoenix SPS project and BOP installation were completed under budget.
- Contract backlog at the end of Q1 was approximately USD 258 million (approximately USD 258 million end of Q4).
- The Board approved a dividend distribution payable in Q2 2016 of USD 0.10 per share. The share will trade ex-dividend on 24 May 2016, the record date is 25 May 2016 and the payment date is on or around 24 June 2016.

### Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q1 2016	Q4 2015	Q3 2015	2015
Contract revenue	0.0	19.1	90.4	247.0
Operating expenses	11.6	12.8	14.5	57.6
EBITDA	(13.4)	(26.3)	74.0	150.2
Net (loss)/profit	(18.7)	(21.3)	57.7	111.0
EPS	(0.62)	(0.71)	1.92	3.70
Total assets	426.2	455.5	507.1	455.5
Total equity	218.1	244.3	280.5	244.3
Interest bearing debt	110.0	110.0	115.0	110.0
Gearing ratio	3.9%	-11.5%	-15.0%	-11.5%
Per day operating expenses	63,465	69,549	78,710	78,948

## **Financial Results – Quarter 1, 2016**

At the end of Q1 2016, the WilPhoenix was in Able Shipyard in Hartlepool and the WilHunter remained hot stacked in Invergordon.

### Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the first quarter 2016 of USD 18.7 million.

Revenue earned in the first quarter was nil.

In the first quarter Awilco Drilling had rig operating expenses of USD 11.6 million. General and administration expenses were USD 1.9 million. This includes 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 first quarter was USD 13.4 million loss while the operating loss was USD 18.3 million.

Interest expense amounted to USD 2.0 million, which relates to accrued interest on the secured bond.

Loss before tax was USD 20.5 million. The tax benefit for the quarter was USD 1.8 million. The resulting net loss was USD 18.7 million. Earnings per share (EPS) for the second quarter were USD (0.62).

### Statement on financial position

As of 31 March 2016, total assets amounted to USD 426.2 million. At the same date, Awilco Drilling had USD 101.1 million in cash and cash equivalents.

## **Operations and Contract Status**

### WilPhoenix

In Q1 2016 the WilPhoenix was in the Able Shipyard in Hartlepool where it remained through the end of the quarter. As of 21 April, AWDR consider the rig is ready to drill and on standby rate awaiting further instruction from Apache North Sea Ltd.

The special periodic survey (SPS) was completed during the quarter at a total cost of USD 16 million compared with budget of USD 20 million and the installation of the new BOP was completed at a cost consistent with budget of USD 22.5 million.

Revenue efficiency for the quarter was nil. Contract utilisation was 50%.

At the end of March, WilPhoenix had a total remaining contract backlog of approximately USD 258 million.

### WilHunter

In Q1 2016 the WilHunter remained hot 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 future market prospects.

### **Organisation**

At the end of Q1 2016, Awilco Drilling's Aberdeen based employees numbered 28 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 174 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

### **Market Outlook**

The UK market remains quiet. The availability of rigs is expected to further increase throughout 2016 as rigs continue to roll off contract and few new requirements are emerging. Additionally, anticipated 2016 decommissioning programs continue to be deferred, however, the recent positive development in the oil price and attrition of rigs has led to enquiry and tendering activity for 2017 and 2018 to increase.

### **Subsequent Events**

In April, the yardstay for WilPhoenix was completed and Awilco Drilling considers the rig to be, in all aspects, ready to drill awaiting Apache North Sea Ltd.'s instructions to resume operations. In accordance with the contract, Awilco Drilling considers that the WilPhoenix is on standby rate from the completion of the yardstay. Apache North Sea Ltd. does not agree that the rig is ready to drill nor that Awilco Drilling is entitled to standby rate at this point.

### **Statement of Responsibility**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first 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, 10 May, 2016

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](http://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

	Q1 2016 (unaudited)	Q1 2015 (unaudited)
Contract revenue	-	67,840
Reimbursables	33	629
Other revenue	13	28
	<u>46</u>	<u>68,497</u>
Rig operating expenses	11,550	14,353
Reimbursables	-	268
General and administrative expenses	1,876	1,690
Depreciation	4,921	4,519
	<u>18,347</u>	<u>20,830</u>
Operating (loss)/profit	<u>(18,301)</u>	<u>47,667</u>
Interest income	287	71
Interest expense	(2,014)	(2,178)
Other financial items	(514)	(443)
Net financial items	<u>(2,241)</u>	<u>(2,550)</u>
(Loss)/profit before tax	(20,542)	45,117
Tax benefit/(expense)	1,860	(5,880)
Net (loss)/profit	<u>(18,682)</u>	<u>39,237</u>
Total comprehensive (loss)/income	<u>(18,682)</u>	<u>39,237</u>
Attributable to shareholders of the parent	(18,682)	39,237
Basic and diluted earnings per share	(0.62)	1.31

## Condensed statement of financial position

in USD thousands

	<u>31.03.2016</u> (unaudited)	<u>31.12.2015</u> (audited)
Rigs, machinery and equipment	243,782	234,336
Deferred tax asset	3,862	2,002
	<u>247,644</u>	<u>236,338</u>
Trade and other receivables	104	7,352
Prepayments and accrued revenue	3,545	2,682
Inventory	4,882	5,015
Cash and cash equivalents	101,110	135,257
Current tax	68,899	68,899
	<u>178,540</u>	<u>219,205</u>
Total assets	<u><u>426,184</u></u>	<u><u>455,543</u></u>
Paid in capital	130,142	130,142
Retained earnings	87,946	114,135
	<u>218,088</u>	<u>244,277</u>
Deferred tax liability	0	0
Long-term interest-bearing debt	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	3,959	5,990
Accruals and provisions	16,563	17,702
Current tax payable	77,574	77,574
	<u>108,096</u>	<u>111,266</u>
Total equity and liabilities	<u><u>426,184</u></u>	<u><u>455,543</u></u>

**Condensed statement of changes in equity for the period from  
1st January 2015 to 31 March 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 profit to 31 March 2016	-	(18 682)	(18 682)
Dividends paid	-	(7 508)	(7 508)
Balance as at 31 March 2016	130 142	87 946	218 088

**Condensed statement of cash flow for the period**

	Q1 2016 (unaudited)	Q1 2015 (unaudited)
Cash flow from operating activities		
(Loss)/Profit before tax	(20 542)	45 117
Depreciation	4 921	4 519
Interest cost	1 727	2 107
Sharebased payment	387	0
(Increase)/decrease in trade and other receivables	7 248	1 264
(Increase)/decrease in stock	134	102
(Increase)/decrease in prepayments and accrued revenue	(864)	270
Increase/(decrease) in trade and other payables	(5 503)	2 856
Interests paid	(68)	(2 178)
Interests received	287	71
Taxation paid	-	(10 601)
Net cash flow from operating activities	(12 273)	43 527
Cash flow from investing activities		
Purchase of property, plant and equipment	(14 367)	(4 189)
Net cash flow from investing activities	(14 367)	(4 189)
Cash flow from financing activities		
Dividends paid	(7 508)	(30 031)
Net cash flow from financing activities	(7 508)	(30 031)
Net increase/(decrease) in cash and cash equivalents	(34 147)	9 307
Cash and cash equivalents at beginning of the period	135 257	75 951
Cash and cash equivalents at the end of the period	101 110	85 258

## **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	14,367	-	14,367
Closing balance	<u>374,842</u>	<u>1,898</u>	<u>376,740</u>
<u>Depreciation</u>			
Opening balance 1 Jan 2016	(126,821)	(1,216)	(128,037)
Depreciation charge	(4,892)	(29)	(4,921)
Accumulated depreciation per ending balance	<u>(131,713)</u>	<u>(1,245)</u>	<u>(132,958)</u>
Net carrying amount at end of period	<u>243,129</u>	<u>653</u>	<u>243,782</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 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	(15,000)
Total debt per end of accounting period	<u>110,000</u>
Current portion of long term debt	10,000
Long term debt per end of period	<u>100,000</u>
	<u>110,000</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 Q1 2016
Purchases	(185)
Payables	(185)

**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 1.8 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 Q1 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 1 were USD 10.5 million.

## Note 8 - Share capital

As of 31 March 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 31 March 2016	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 31 March	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	3,528,371	11.75%
EUROCLEAR BANK S.A./	2,100,890	7.00%
CITIBANK, N.A.	1,496,516	4.98%
CITIBANK, N.A.	1,133,288	3.77%
CITIGROUP GLOBAL MAR	1,129,000	3.76%
JPMORGAN CHASE BANK	1,025,049	3.41%
AVANZA BANK AB	666,046	2.22%
MERRILL LYNCH, PIERCE	609,487	2.03%
CLEARSTREAM BANKING	450,151	1.50%
UBS SECURITIES LLC	430,449	1.43%
NORDNET BANK AB	397,426	1.32%
JPMORGAN CHASE BANK	382,234	1.27%
PERSHING LLC	217,296	0.72%
SIX SIS AG	169,448	0.56%
FIRST CLEARING A/C L	164,452	0.55%
JP MORGAN CLEARING C	145,952	0.49%
JPMORGAN CHASE BANK	143,186	0.48%
CITIBANK, N.A.	115,350	0.38%
DZ PRIVATBANK S.A.	109,448	0.36%
OTHER	2,618,523	8.72%
	<u>30,031,500</u>	<u>100.00%</u>

## Note 9 - Derivative Financial Instrument

in USD thousands

31.03.2016  
(unaudited)

Fair value of foreign currency forward contracts \$605k

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.

## Note 10 - Subsequent events

In April, the yardstay for WilPhoenix was completed and Awilco Drilling considers the rig to be, in all aspects, ready to drill awaiting Apache North Sea Ltd.'s instructions to resume operations. In accordance with the contract, Awilco Drilling considers that the WilPhoenix is on standby rate from completion of the yardstay. Apache North Sea Ltd does not agree that the rig is ready to drill nor that Awilco Drilling is entitled to standby rate at this point.