



SECOND 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.**

### **Financial Results – Second Quarter 2012**

At the end of Q2 2012, the WilPhoenix was in continued operations for Hess Limited, while the WilHunter was mobilizing for the Ithaca Energy (UK) Limited operation that commenced 2<sup>nd</sup> July.

#### Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the second quarter 2012 of USD 5.2 million.

There was revenue of USD 32.5 million earned during the quarter.

In the second quarter Awilco Drilling had rig operating expenses of USD 14.9 million. The general and administration expenses were USD 3.0 million. This includes a provision of USD 0.4 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 a provision for bad debts of USD 0.7 million in respect of outstanding receivables in accordance with the bad debt policy.

EBITDA for the second quarter was USD 13.7 million while the operating profit was USD 9.3 million.

Interest expenses amounted to USD 3.5 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 5.8 million. The tax charge for the quarter was USD 0.6 million on profits in the quarter. The resulting net profit was USD 5.2 million. Earnings per share (EPS) for the second quarter were USD 0.17.

#### Statement on financial position

As of 30 June 2012, total assets amount to USD 306.7 million. At the same date, Awilco Drilling had USD 10.6 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 103.6 million. There was a payment of USD 9.3 million during the quarter in respect of the working capital loan of which USD 8.8 million was in respect of loan repayment and USD 0.5 million of associated interest.

There was also a payment in respect of the seller's credit loan of USD 6.0 million of which USD 2.8 million was in respect of loan repayment and USD 3.2 million of associated interest. Total loan repayments in the quarter to Transocean were USD 11.6 million and USD 3.7 million of associated interest.

There was also a drawdown on the Shareholder loan during the quarter of USD 10 million.

## **Operations and Contract Status**

### WilPhoenix

In Q2 2012 the WilPhoenix was in continued operations for Hess Limited for the well abandonment program on the Fife and Fergus fields.

The early termination fee of USD 5.8 million billed in respect of the cancellation of the second well for Antrim under the AGR contract remains unpaid. AWDR is working with AGR to secure recovery of funds. An interim payment of USD 1.25 million was paid by AGR in early June.

During the second quarter, WilPhoenix secured new contracts with a total value of USD 148 million. At the end of June, WilPhoenix had a total remaining contract backlog of about USD 185 million.

### WilHunter

In Q2 2012 the WilHunter was on contract with SPD and MPX on the Timon well until the 1<sup>st</sup> June, when the contract was terminated as a consequence of the technical downtime suffered since 17<sup>th</sup> May. On 17<sup>th</sup> June the rig was mobilized to location for the Ithaca contract, which started 2<sup>nd</sup> July.

The dispute for non-payment of invoices issued to Nautical Petroleum remains unresolved. Awilco Drilling continues to pursue collection of the outstanding amounts. MPX is withholding payment to Awilco Drilling of USD 4.8 million as a set off against their GBP 9 million claim for consequential loss. Awilco Drilling believes the claim is without merit and continues to pursue collection of the outstanding amounts.

During the second quarter, WilHunter secured new contracts and a Letter of Intent (LOI) with a total value of USD 163 million. At the end of June, WilHunter had a total remaining contract backlog of about USD 51 million plus an LOI with a value of approx. USD 144 million.

## **Capital Requirements, Funding and Dividend**

At the end of Q2 2012 USD 10.9 million remains drawn down on the working capital facility from Transocean.

The loan facility of USD 10 million with AWDR's two primary shareholders, represented by Awilco Drilling AS and Tompkins Square Park S.a.r.l. was drawn down during Q2. At the same time, an addendum to the loan agreement was signed to extend the facility by both time and amount to 30<sup>th</sup> June 2013 and USD 15 million respectively.

The Company's long-term objective is to pay a regular dividend in support of the Company's main objective to maximise returns to shareholders. However, during 2012, the Company is scheduled to make significant debt repayment and does not intend to pay any dividends. A regular dividend payment on a quarterly basis is expected to commence during the first half of 2013. The level of the Company's dividends will be guided by current and prospective earnings, market prospects, capital expenditure requirements and investment opportunities.

## **Organisation**

At the end of Q2 2012, Awilco Drilling's Aberdeen based employees numbered 25 permanent personnel supported by 3 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 189 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

## **Market Outlook**

The UK market has seen further tightening supply, with the majority of the marketed semi submersible drilling units now fully employed through to 2014. The remaining available capacity is expected to be absorbed shortly.

Due to the limited availability dayrates have risen close to USD 400,000 per day. With limited new capacity entering the UK floater market the Company remains optimistic for the future UK market.

### **Statement of Responsibility**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the second 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 2<sup>nd</sup> July the WilHunter commenced operations for Ithaca to drill the Hurricane appraisal well in the Central North Sea.

Oslo, 23 August, 2012

The Board of Directors of Awilco Drilling PLC

CEO:

Jon Oliver Bryce

Mobile: +44 1224 737900

E-mail: [job@awilcodrilling.com](mailto:job@awilcodrilling.com)

Investor Relations:

Cathrine Haavind

Mobile: +47 93 42 84 64

E-mail: [ch@awilcodrilling.com](mailto:ch@awilcodrilling.com)

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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

	Q2 2012	YTD	Q2 2011	YTD
	(unaudited)	30.06.2012 (unaudited)	(audited)	30.06.2011 (audited)
Contract revenue	32 142	51 658	509	509
Reimbursable	360	584	5	5
Other revenue	15	2 849	-	-
	<u>32 517</u>	<u>55 091</u>	<u>514</u>	<u>514</u>
Rig operating expenses	14 927	28 692	11 595	16 225
Reimbursable	172	262	5	5
Provision of doubtful debt	695	3 165	-	-
General and administrative expenses	3 010	5 905	2 812	5 999
Depreciation	4 456	8 816	3 120	6 241
	<u>23 260</u>	<u>46 840</u>	<u>17 533</u>	<u>28 471</u>
Operating profit/(loss)	<u>9 257</u>	<u>8 251</u>	<u>(17 019)</u>	<u>(27 957)</u>
Interest income	4	10	12	76
Interest expense	(3 561)	(7 065)	(3 408)	(6 450)
Other financial items	68	(63)	858	2 779
Net financial items	<u>(3 489)</u>	<u>(7 118)</u>	<u>(2 538)</u>	<u>(3 594)</u>
Profit/(Loss) before tax	5 768	1 133	(19 556)	(31 551)
Tax benefit/ (expense)	(570)	7	1 093	(1 247)
Net profit/(loss)	<u>5 198</u>	<u>1 140</u>	<u>(18 463)</u>	<u>(32 798)</u>
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	<u>5 198</u>	<u>1 140</u>	<u>(18 463)</u>	<u>(32 798)</u>
Attributable to minority interests	0	0	0	0
Attributable to shareholders of the parent	5 198	1 140	(18 463)	(32 798)
Basic and diluted earnings per share	0,17	0,04	(0,66)	(1,19)

## Condensed statement of financial position

in USD thousands

	<u>30.06.2012</u> (unaudited)	<u>31.12.2011</u> (audited)
Rigs, machinery and equipment	256,069	262,573
Other non-current assets		
	<u>256,069</u>	<u>262,573</u>
Trade and other receivables	22,057	8,857
Prepayments and accrued revenue	12,570	14,271
Inventory	5,134	4,800
Derivative financial instruments	0	0
Cash and cash equivalents	10,556	25,100
Deferred tax asset	354	
	<u>50,671</u>	<u>53,028</u>
Total assets	<u>306,740</u>	<u>315,601</u>
Paid in capital	130,142	130,142
Other Equity	9,942	8,811
Revaluation reserves	0	0
Minority interests	0	0
	<u>140,084</u>	<u>138,953</u>
Deferred tax liability	0	657
Long-term interest-bearing debt	103,598	109,098
Other non-current liabilities	0	0
	<u>103,598</u>	<u>109,755</u>
Current portion of long-term debt	37,464	45,667
Trade and other creditors	3,482	3,124
Accruals and provisions	19,516	16,122
Current tax payable	2,595	1,980
	<u>63,058</u>	<u>66,893</u>
Total equity and liabilities	<u>306,740</u>	<u>315,601</u>

**Condensed statement of changes in equity for the period from  
1st January 2011 to 30 June 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 June 2012	0	0	1,140	1,140
Balance as at 30 June 2012	130,142	0	9,942	140,084

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

	YTD Q2 2012 (unaudited)	YTD Q2 2011 (audited)
<b>Cash flow from operating activities</b>		
Profit/(Loss) before tax	1,133	(31,550)
Depreciation	8,816	6,328
Interest cost	7,055	6,373
(Increase)/decrease in trade and other receivables	(9,476)	(3,371)
(Increase)/decrease in stock	(334)	(140)
(Increase)/decrease in prepayments and accrued revenue	(770)	(417)
Increase/(decrease) in trade and other payables	(895)	14,088
Increase/(decrease) in provisions and accrued expenses	3,958	(11,264)
Interests paid	(7,628)	(6,373)
Interests received	10	0
Taxation paid	(398)	0
Net cash flow from operating activities	1,470	(26,325)
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(2,311)	(65,841)
(Increase)/decrease in investments	0	0
Proceeds from sale of property, plant and equipment	0	0
Net cash flow from investing activities	(2,311)	(65,841)
<b>Cash flow from financing activities</b>		
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	(23,702)	(2,750)
Net cash flow from financing activities	(13,702)	45,004
Net increase/(decrease) in cash and cash equivalents	(14,544)	(47,163)
Cash and cash equivalents at beginning of the period	25,100	67,707
Exchange rate effects		0
Cash and cash equivalents at the end of the period	10,556	20,544

## **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.

Bad debt provision 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 and equipment

in USD thousands, except per share data

	Semi submersible drilling rigs/SPS	Other fixtures and equipment	Total
Acquisition cost per opening balance 1 Jan 2012	288,481	1,128	289,609
Acquisition of fixed assets	2,311	-	2,311
Disposal of fixed assets	-	-	-
Acquisition cost at ending balance	290,792	1,128	291,920
Accumulated depreciation per opening balance 1 Jan 2012	(26,788)	(247)	(27,035)
Depreciation	(8,700)	(116)	(8,816)
Disposals	-	-	-
Accumulated depreciation per ending balance	(35,488)	(363)	(35,851)
Net carrying amount at end of period	255,304	765	256,069
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%.

	WilPhoenix	WilHunter	Total
Sellers credit at time of consummation of transaction	82,500	82,500	165,000
Repayment of debt	(9,625)	(35,277)	(44,902)
Drawdown on Working Capital Debt	8,772	2,193	10,964
Total debt to Transocean per end of accounting period	81,647	49,416	131,062
Current portion of long term debt	17,022	10,443	27,464
Long term debt to Transocean per end of period	64,625	38,973	103,598
	81,647	49,416	131,062

#### (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 April 2012 was accumulated and paid in whole on 14th April 2012

along with the third scheduled repayment of USD 5.8 million and the additional mandatory payment of USD 3.0 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>Q2 2012</u>
Sales	-
Purchases	330
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 Q2 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 0.6 million calculated using the effective group tax rate on profits during the quarter.

### **Note 6 - Subsequent events**

On 2nd July the WilHunter commenced operations for Ithaca to drill the Hurricane appraisal well in the Central North Sea.

## Note 7 - Capital Commitments

Outstanding Capital Commitments as at the end of Quarter 2 were USD 1.9 million

## Note 8 - Share capital

As of 30th June 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 June 2012	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 30 June	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	3,992,364	13.29%
Deutsche Bank AG, London	1,755,300	5.84%
Odin Offshore	1,500,000	4.99%
Frank Mohn AS	720,188	2.40%
Goldman Sachs & Co	616,410	2.05%
Stenshagen Invest AS	480,653	1.60%
Arctic Funds PLC	410,463	1.37%
SHB Stockholm	373,646	1.24%
Storebrand Optima	346,500	1.15%
KLP Aksje Norge	346,195	1.15%
VPF Nordea Kapital	315,456	1.05%
Aksjefondet Handelsbanken	300,000	1.00%
MP Pensjon	236,000	0.79%
VPF Nordea Avkastning	224,100	0.75%
Alcides Holding AS	197,112	0.66%
Kommunal Landspensjonskasse	184,461	0.61%
Pibco AS	164,900	0.55%
VPF Nordea Norge Pluss	150,000	0.50%
Torstein Tvenge	150,000	0.50%
Other shareholders	2,934,652	9.77%
	<u>30,031,500</u>	<u>100.00%</u>