



AWILCO DRILLING

SECOND QUARTER 2013

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.

Q2 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 59.5 million (USD 53.4 million in Q1), EBITDA of USD 38.6 million (USD 33.9 million in Q1) and net profit of USD 29.4 million (USD 24.7 million in Q1).
- Revenue efficiency was 97.3% during the quarter (91.2% in Q1)
- Contract backlog at the end of Q2 was approximately USD 860 million (approximately USD 466 million Q1)
- The Board approved a dividend distribution payable in Q3 of USD 1.00 per share.

Key financial figures:

In USD million, except per day operating expenses

USD million	Q2 2013	Q1 2013	Q4 2012	2012
Contract revenue	59.5	53.4	52.8	152.2
Operating expenses	13.2	13.6	14.4	56.5
EBITDA	38.6	33.9	32.6	73.9
Net profit	29.4	24.7	23.0	39.4
Total assets	349.1	343.5	316.3	316.3
Total equity	202.4	203.1	177.4	177.4
Interest bearing debt	103.6	106.3	114.6	114.6
Gearing ratio	24.3%	24.6%	35.5%	35.5%
Per day operating expenses	72,471	75,277	78,504	77,247

Financial Results – Second Quarter 2013

At the end of Q2 2013, both of Awilco Drilling's rigs were in continued drilling operations for their respective clients.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the second quarter 2013 of USD 29.9 million.

Revenue earned in the second quarter was USD 59.5 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 13.2 million. General and administration expenses were USD 5.5 million. This includes a provision of USD 3.2 million in respect of the stock award of synthetic stock options which are restated each quarter based on the valuation of the Company's shares. Other expense of USD 1.9 million relate to a provision for settlement of an outstanding legal claim.

EBITDA for the second quarter was USD 38.6 million while the operating profit was USD 34.2 million.

Interest expenses amounted to USD 2.4 million, which relates to accrued interest on the seller's credit with Transocean. Other financial items of USD 0.1 million relate to gain on foreign exchange during the quarter.

Profit before tax was USD 32.0 million. The tax charge for the quarter was USD 2.6 million on profits in the quarter. The resulting net profit was USD 29.4 million. Earnings per share (EPS) for the second quarter were USD 0.98.

Statement on financial position

As of 30 June 2013, total assets amounted to USD 349.1 million. At the same date, Awilco Drilling had USD 38.5 million in cash and cash equivalents.

Long term interest-bearing debt at the end of the quarter was USD 92.6 million.

There was a payment of USD 5.1 million during the quarter in respect of the seller's credit loan of which USD 2.8 million was in respect of loan repayment and USD 2.3 million of associated interest.

Operations and Contract Status

WilPhoenix

In Q2 2013 the WilPhoenix was in continued operations on Premier Oil UK's Bonneville well location before moving to the Solan location where the rig remained until after quarter end.

Revenue efficiency for the quarter was 97.4%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 528 million.

WilHunter

In Q2 2013 the WilHunter was in continued operations for Hess UK Ltd at the Fergus location before moving to the Flora location where the rig remained until after quarter end.

Revenue efficiency for the quarter was 97.2%.

At the end of June, WilHunter had a total remaining contract backlog of approximately USD 332 million.

Capital Requirements and Dividend

The Company's intention is to pay a regular dividend in support of its main objective to maximise returns to shareholders. The first dividend payment was paid during the quarter and is expected to continue on a quarterly basis. In the case of attractive growth opportunities the company will endeavor to maintain a meaningful dividend distribution.

Organisation

At the end of Q2 2013, Awilco Drilling's Aberdeen based employees numbered 29 permanent personnel supported by 2 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 mid-water market continues to show strength with demand continuing to exceed supply. The majority of the UK mid-water fleet is employed through to 2015 and beyond. Recent UK fixtures include extensions of existing contracts as well as the fixture of one international mid-water unit.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the second 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.

Subsequent Events

- In July 2013, the outstanding commercial dispute between Awilco Drilling PLC and MPX North Sea Limited was resolved by Awilco Drilling PLC making a payment of USD 1.9 million and agreeing to the release of funds held in Escrow of about USD 4.8 million to MPX in full and final settlement of all claims and counterclaims. As these amounts have been fully provided for, there will be no impact of this on the Q3 results.
- The Board has approved a dividend distribution of USD 1.0 per share. This dividend distribution will be made to all qualifying shareholders on or around 20th September 2013. The share will trade ex-dividend on 21 August 2013 and the record date will be 23 August 2013.
- In August, Awilco Drilling signed a contract with Apache North Sea Limited and TAQA Bratani Limited for the provision of the WilPhoenix for a 3 year firm term commitment plus up to a further 27 months of options. The contract is expected to commence in the second half of 2014.

Oslo, 14 August, 2013

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 Axxess) 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

	Q2 2013	YTD	Q2 2012	YTD
	(unaudited)	30.06.13 (unaudited)	(unaudited)	30.06.2012 (unaudited)
Contract revenue	58,698	110,990	32,142	51,658
Reimbursables	794	1,854	360	584
Other revenue	19	24	15	2,849
	<u>59,511</u>	<u>112,868</u>	<u>32,517</u>	<u>55,091</u>
Rig operating expenses	13,190	26,740	14,927	28,692
Reimbursables	263	763	172	262
Provision for doubtful debts	-	-	695	3,165
General and administrative expenses	5,533	10,913	3,010	5,905
Other expense	1,900	1,900	-	-
Depreciation	4,398	8,789	4,456	8,816
	<u>25,284</u>	<u>49,105</u>	<u>23,260</u>	<u>46,840</u>
Operating profit	<u>34,227</u>	<u>63,764</u>	<u>9,257</u>	<u>8,251</u>
Interest income	46	62	4	10
Interest expense	(2,365)	(4,788)	(3,561)	(7,065)
Other financial items	57	(59)	68	(63)
Net financial items	<u>(2,262)</u>	<u>(4,785)</u>	<u>(3,489)</u>	<u>(7,118)</u>
Profit/(Loss) before tax	31,965	58,979	5,768	1,133
Tax (expense)	(2,596)	(4,896)	(570)	7
Net profit/(loss)	<u>29,369</u>	<u>54,083</u>	<u>5,198</u>	<u>1,140</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>29,369</u>	<u>54,083</u>	<u>5,198</u>	<u>1,140</u>
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	29,369	54,083	5,198	1,140
Basic and diluted earnings per share	0.98	1.80	0.17	0.04

Condensed statement of financial position

in USD thousands

	<u>30.06.2013</u> (unaudited)	<u>31.12.2012</u> (audited)
Rigs, machinery and equipment	246,516	250,173
Deferred tax asset	1,914	853
	<u>248,430</u>	<u>251,026</u>
Trade and other receivables	18,356	22,285
Prepayments and accrued revenue	23,006	15,529
Inventory	4,800	4,800
Cash and cash equivalents	38,535	16,926
Current tax	15,951	6,542
	<u>100,648</u>	<u>66,082</u>
Total assets	<u><u>349,078</u></u>	<u><u>317,108</u></u>
Paid in capital	130,142	130,142
Retained earnings	72,257	48,206
	<u>202,399</u>	<u>178,348</u>
Deferred tax liability	769	769
Long-term interest-bearing debt	92,598	98,098
	<u>93,367</u>	<u>98,867</u>
Current portion of long-term debt	11,000	16,500
Trade and other creditors	2,250	1,965
Accruals and provisions	19,540	12,041
Current tax payable	20,522	9,387
	<u>53,312</u>	<u>39,893</u>
Total equity and liabilities	<u><u>349,078</u></u>	<u><u>317,108</u></u>

**Condensed statement of changes in equity for the period from
1st January 2012 to 30 June 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	0	39,394	39,394
Balance as at 31 December 2012	130,142	48,206	178,348
Total comprehensive profit to 30 June 2013	0	54,083	54,083
Dividends paid	0	(30,032)	(30,032)
Balance as at 30 June 2013	130,142	72,257	202,399

Condensed statement of cash flow for the period

	YTD Q2 2013 (unaudited)	YTD Q2 2012 (unaudited)
Cash flow from operating activities		
Profit before tax	58,979	1,133
Depreciation	8,789	8,816
Interest cost	4,725	7,055
(Increase)/decrease in trade and other receivables	3,967	(9,476)
(Increase)/decrease in stock	0	(334)
(Increase)/decrease in prepayments and accrued revenue	(7,478)	(770)
Increase/(decrease) in trade and other payables	7,914	3,063
Interests paid	(4,956)	(7,628)
Interests received	62	10
Taxation paid	(4,231)	(398)
Net cash flow from operating activities	67,771	1,470
Cash flow from investing activities		
Purchase of property, plant and equipment	(5,132)	(2,311)
Dividends paid	(30,032)	0
Net cash flow from investing activities	(35,164)	(2,311)
Cash flow from financing activities		
Issue of loans	0	10,000
Repayment of loans	(11,000)	(23,702)
Net cash flow from financing activities	(11,000)	(13,702)
Net increase/(decrease) in cash and cash equivalents	21,608	(14,544)
Cash and cash equivalents at beginning of the period	16,927	25,100
Cash and cash equivalents at the end of the period	38,535	10,556

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	5,051	81	5,132
Disposals	-	-	-
Closing balance	298,605	1,209	299,814
Opening balance 1 Jan 2013	(44,031)	(480)	(44,511)
Depreciation	(8,666)	(123)	(8,789)
Disposals	-	-	-
Accumulated depreciation per ending balance	(52,697)	(601)	(53,299)
Net carrying amount at end of period	245,908	608	246,516
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	(17,875)	(43,527)	(61,402)
Total debt per end of accounting period	64,625	38,973	103,598
Current portion of long term debt	5,500	5,500	11,000
Long term debt per end of period	59,125	33,473	92,598
	64,625	38,973	103,598

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 2013</u>
Sales	-
Purchases	(184)
Interest	(72)
Receivables	-
Payables	(33)

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 Q2 the rigs were operational and average tax rates have been applied consistent with the prevailing average tax rate for the year.

Note 7 - Subsequent events

In July 2013, the outstanding commercial dispute between Awilco Drilling PLC and MPX North Sea Ltd was resolved by Awilco Drilling PLC making a payment of USD 1.9 million and agreeing to the release of funds held in Escrow of about USD 4.8 million to MPX in full and final settlement of all claims and counterclaims. As these amounts have been fully provided for, there will be no impact of this on the Q3 results.

The Board has approved a dividend distribution of USD 1.0 per share. This dividend distribution will be made to all qualifying shareholders on or around 20th September 2013. The share will trade ex-dividend on 21 August 2013 and the record date will be 23 August 2013.

In August, Awilco Drilling signed a contract with Apache North Sea Limited and TAQA Bratani Limited for the provision of the WilPhoenix for a 3 year fixed term commitment plus up to a further 27 months of options. The contract is expected to commence in the second half of 2014.

Note 8 - Capital Commitments

Outstanding Capital Commitments as at the end of Quarter 2 were USD 7.6 million.

Note 9 - Share capital

As of 30th June 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 30 June 2013	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 S.A.	2,505,340	8.34%
Deutsche Bank AG	1,167,537	3.89%
Goldman Sachs & Co	975,627	3.25%
QVT Fund V LP	851,898	2.84%
Stenshagen Invest AS	683,903	2.28%
Odin Offshore	666,406	2.22%
The Bank of New York	532,897	1.77%
VPF Nordea Kapital	371,944	1.24%
Storebrand Verdi	324,702	1.08%
Arctic Funds PLC	318,760	1.06%
JP Morgan Chase Bank	282,741	0.94%
Varma Mutual Pension Insurance	268,542	0.89%
MP Pensjon	236,000	0.79%
VPF Nordea Norge Verdi	232,749	0.78%
Goldman Sachs International Equity	228,701	0.76%
KLP Aksje Norge	215,410	0.72%
Alcides Holding AS	209,000	0.70%
VPF Nordea Avkastning	189,174	0.63%
Skandinaviska Enskilda Banken AS	185,128	0.62%
Other	4,951,941	16.49%
	<u>30,031,500</u>	<u>100.00%</u>

Note 10 - Derivative Financial Instrument

in USD thousands

30.06.2013
(unaudited)

Fair value of foreign currency forward contracts \$28k

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 income in the Statement of Comprehensive Income and classified as accruals in the Statement of Financial Position.