



SECOND QUARTER 2014

**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 66.3 million (USD 62.7 million in Q1), EBITDA of USD 42.4 million (USD 44.1 million in Q1) and net profit of USD 25.9 million (USD 34.5 million in Q1).
- Revenue efficiency was 99.7% during the quarter (97.2% in Q1)
- Contract backlog at the end of Q2 was approximately USD 642 million (approximately USD 707 million Q1)
- The Board approved a dividend distribution payable in Q3 2014 of USD 1.15 per share. The share will trade ex-dividend on 19 August 2014, the record date is 21 August 2014 and the payment date is on or around 19 September 2014.

Key financial figures:

In USD million, except per day operating expenses

USD million	Q2 2014	Q1 2014	Q4 2013	2013
Contract revenue	66.3	62.7	61.4	236.5
Operating expenses	17.2	14.4	16.3	56.6
EBITDA	42.4	44.1	40.5	159.5
Net profit	25.9	34.5	31.6	122.3
Total assets	420.9	399.2	387.8	387.8
Total equity	200.3	209.0	207.5	207.5
Interest bearing debt	125.0	95.3	98.1	98.1
Gearing ratio	28.6%	19.4%	18.1%	18.1%
Per day operating expenses	94,572	80,120	88,657	78,567

Financial Results – Second Quarter 2014

At the end of Q2 2014, 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 second quarter 2014 of USD 25.9 million.

Revenue earned in the second quarter was USD 66.3 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 17.2 million. The increase in rig operating expense compared to prior quarter is primarily due to an increase in UK national insurance contributions for offshore personnel due to a change in legislation effective 1st April and to an increase in the level of spend on budgeted maintenance projects. General and administration expenses were USD 6.0 million. This includes costs of USD 2.7 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 second quarter was USD 42.4 million while the operating profit was USD 38.0 million.

Interest expenses amounted to USD 4.8 million, which includes accrued interest on the secured bond and USD 2.9 million of additional interest due to early repayment of the Transocean loan.

Profit before tax was USD 33.1 million. The tax charge for the quarter was USD 7.2 million on profits in the quarter. This reflects a higher tax charge in Q2 compared to previous quarters due to the change in UK bareboat charter legislation effective 1st April 2014. The resulting net profit was USD 25.9 million. Earnings per share (EPS) for the second quarter were USD 0.86.

Statement on financial position

As of 30 June 2014, total assets amounted to USD 420.9 million. At the same date, Awilco Drilling had USD 44.7 million in cash and cash equivalents.

There was a payment of USD 100.4 million during the quarter in respect of full settlement of the Transocean seller's credit loan of which USD 95.3 million was capital repayment and USD 5.0 million of interest, including USD 2.9 million of additional interest on the early repayment amount.

Operations and Contract Status

WilPhoenix

In Q2 2014 the WilPhoenix was in continued operations on Premier Oil UK's Solan location where it remained through the end of the quarter.

Revenue efficiency for the quarter was 99.7%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 442 million.

WilHunter

In Q2 2014 the WilHunter was in continued operations for Hess UK Ltd at the Ivanhoe location.

Revenue efficiency for the quarter was 99.8%.

At the end of June, WilHunter had a total remaining contract backlog of approximately USD 200 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 fifth dividend payment was paid during the quarter and payments are 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 2014, Awilco Drilling's Aberdeen based employees numbered 32 permanent personnel supported by 2 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 209 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

The UK market currently operates at full capacity, however as present contracts come to an end and with limited new requirements for start-up late 2014, it is likely that the UK market will see some seasonal availability from Q4 2014 onwards. The Company's firm contract coverage however, positions us well for any near term weaker market conditions.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the second quarter of 2014, 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.

Oslo, 12 August, 2014

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

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 2014	YTD	Q2 2013	YTD
	(unaudited)	30.06.14 (unaudited)	(unaudited)	30.06.13 (unaudited)
Contract revenue	65,075	127,286	58,698	110,990
Reimbursables	1,189	1,692	794	1,854
Other revenue	41	74	19	24
	<u>66,305</u>	<u>129,052</u>	<u>59,511</u>	<u>112,868</u>
Rig operating expenses	17,212	31,634	13,190	26,740
Reimbursables	373	568	263	763
General and administrative expenses	6,010	10,045	5,533	10,913
Other expense	269	281	1,900	1,900
Depreciation	4,462	8,862	4,398	8,789
	<u>28,326</u>	<u>51,390</u>	<u>25,284</u>	<u>49,105</u>
Operating profit	<u>37,979</u>	<u>77,662</u>	<u>34,227</u>	<u>63,764</u>
Interest income	17	56	46	62
Interest expense	(4,847)	(7,336)	(2,365)	(4,788)
Other financial items	-	-	57	(59)
Net financial items	<u>(4,830)</u>	<u>(7,280)</u>	<u>(2,262)</u>	<u>(4,785)</u>
Profit before tax	33,149	70,382	31,965	58,979
Tax (expense)	(7,224)	(9,976)	(2,596)	(4,896)
Net profit	<u>25,925</u>	<u>60,406</u>	<u>29,369</u>	<u>54,083</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>25,925</u>	<u>60,406</u>	<u>29,369</u>	<u>54,083</u>
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	25,926	60,406	29,369	54,083
Basic and diluted earnings per share	0.86	2.01	0.98	1.80

Condensed statement of financial position

in USD thousands

	30.06.2014	31.12.2013
	(unaudited)	(audited)
Rigs, machinery and equipment	252,796	245,279
Deferred tax asset	3,363	2,763
	<u>256,159</u>	<u>248,042</u>
Trade and other receivables	35,852	14,417
Prepayments and accrued revenue	24,047	25,835
Inventory	4,800	4,800
Cash and cash equivalents	44,684	52,347
Current tax	55,368	42,317
	<u>164,751</u>	<u>139,716</u>
Total assets	<u>420,910</u>	<u>387,758</u>
Paid in capital	130,142	130,142
Retained earnings	70,205	77,370
	<u>200,347</u>	<u>207,512</u>
Deferred tax liability	554	554
Long-term interest-bearing debt	115,000	87,098
	<u>115,554</u>	<u>87,652</u>
Current portion of long-term debt	10,000	11,000
Trade and other creditors	3,159	3,140
Accruals and provisions	26,867	25,182
Current tax payable	64,983	53,272
	<u>105,009</u>	<u>92,594</u>
Total equity and liabilities	<u>420,910</u>	<u>387,758</u>

**Condensed statement of changes in equity for the period from
1st January 2013 to 30 June 2014**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2013	130,142	48,205	178,347
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
Total comprehensive profit to 30 June 2014	-	60,406	60,406
Dividends paid	-	(67,571)	(67,571)
Balance as at 30 June 2014	130,142	70,205	200,347

Condensed statement of cash flow for the period

	YTD Q2 2014 (unaudited)	YTD Q2 2013 (unaudited)
Cash flow from operating activities		
Profit before tax	70,382	58,979
Depreciation	8,862	8,789
Interest cost	7,275	4,725
Sharebased payment	4,106	
(Increase)/decrease in trade and other receivables	(21,435)	3,967
(Increase)/decrease in prepayments and accrued revenue	(1,484)	(7,478)
Increase/(decrease) in trade and other payables	960	7,914
Interests paid	(7,421)	(4,956)
Interests received	56	62
Taxation paid	(11,916)	(4,231)
Net cash flow from operating activities	49,385	67,771
Cash flow from investing activities		
Purchase of property, plant and equipment	(16,379)	(5,132)
Net cash flow from investing activities	(16,379)	(5,132)
Cash flow from financing activities		
Dividends paid	(67,571)	(30,032)
Issue of loans	125,000	-
Repayment of loans	(98,098)	(11,000)
Net cash flow from financing activities	(40,669)	(41,032)
Net increase/(decrease) in cash and cash equivalents	(7,663)	21,608
Cash and cash equivalents at beginning of the period	52,347	16,927
Cash and cash equivalents at the end of the period	44,684	38,535

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, 2013. This interim report should be read in conjunction with the audited 2013 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 2014	306,189	1,207	307,396
Additions	16,368	11	16,379
Closing balance	322,557	1,218	323,775
Opening balance 1 Jan 2014	(61,393)	(724)	(62,117)
Depreciation	(8,738)	(124)	(8,862)
Accumulated depreciation per ending balance	(70,131)	(848)	(70,979)
Net carrying amount at end of period	252,426	370	252,796
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. The bond was issued with an interest rate of 7% with maturity in April 2019. Repayment terms are USD 5 million six monthly commencing in October 2014

	Total
Secured Bond	125,000
Repayment of debt	-
Total debt per end of accounting period	125,000
Current portion of long term debt	10,000
Long term debt per end of period	115,000
	125,000

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:

	<u>YTD Q2 2014</u>
Purchases	(514)
Payables	(332)

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.

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 remainder of the year.

Note 7 - Capital commitments

Outstanding Capital Commitments as at the end of Quarter 2 were USD 19.9 million.

Note 8 - Share capital

As of 30 June 2014 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 2014	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./	1,841,267	6.13%
DEUTSCHE BANK AG	1,637,950	5.45%
CITIBANK, N.A.	1,320,282	4.40%
UBS SECURITIES LLC	1,049,614	3.50%
MERRILL LYNCH PROF.	970,713	3.23%
JPMORGAN CHASE BANK	936,429	3.12%
CITIBANK, N.A.	723,519	2.41%
GOLDMAN SACHS & CO E	644,552	2.15%
MERRILL LYNCH, PIERCE	524,169	1.75%
AVANZA BANK AB MEGLE	477,614	1.59%
JPMORGAN CHASE BANK	380,907	1.27%
J.P. MORGAN CHASE BA	276,765	0.92%
NORDNET BANK AB	253,913	0.85%
FIRST CLEARING A/C L	196,588	0.65%
ML PROFESSIONAL CLE	158,287	0.53%
BNP PARIBAS PRIME BR	151,477	0.50%
SIX SIS AG	148,187	0.49%
JPMORGAN CHASE BANK	143,704	0.48%
SKANDINAVISKA ENSKIL	126,058	0.42%
OTHER	3,436,405	11.44%
	<u>30,031,500</u>	<u>100.00%</u>