



SECOND 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.**

Q2 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 24.4 million (USD nil in Q1), EBITDA USD 12.2 million (USD 13.4 million loss in Q1) and net profit of USD 6.9 million (USD 18.7 million loss in Q1).
- Revenue efficiency was 95.3% during the quarter (nil in Q1)
- Contract utilisation including unpaid shipyard time was 50.0% during the quarter, (50 % in Q1)
- Contract backlog at the end of Q2 was approximately USD 231 million (approximately USD 258 million Q1)
- The Board approved a dividend distribution payable in Q3 2016 of USD 0.10 per share. The shares will trade ex-dividend on 23 August 2016, the record date is 24 August 2016 and the payment date is on or around 23 September 2016.

Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q2 2016	Q1 2016	Q4 2015	2015
Contract revenue	24.4	0.0	19.1	247.0
Operating expenses	9.8	11.6	12.8	57.6
EBITDA	12.2	(13.4)	(26.3)	150.2
Net profit/(loss)	6.9	(18.7)	(21.3)	111.0
EPS	0.23	(0.62)	(0.71)	3.70
Total assets	363.2	426.2	455.5	426.2
Total equity	222.0	218.1	244.3	218.1
Interest bearing debt	105.0	110.0	110.0	110.0
Gearing ratio	23.2%	3.9%	-11.5%	3.9%
Per day operating expenses	53,591	63,465	69,549	78,948

Financial Results – Quarter 2, 2016

At the end of Q2 2016, the WilPhoenix had recommenced operations for Apache North Sea Ltd at the Storr location and the WilHunter remained stacked in Invergordon.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the second quarter 2016 of USD 6.9 million.

Revenue earned in the second quarter was USD 24.4 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 9.8 million. General and administration expenses were USD 2.5 million. This includes USD 0.2 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 12.2 million while the operating profit was USD 8.7 million.

Interest expense amounted to USD 1.9 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 6.8 million. There was a small tax benefit for the quarter resulting in a net profit of USD 6.9 million. Earnings per share (EPS) for the second quarter were USD 0.23.

Statement on financial position

As of 30 June 2016, total assets amounted to USD 363.2 million. At the same date, Awilco Drilling had USD 37.9 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q2 2016 the WilPhoenix recommenced operations for Apache North Sea Ltd. at the Storr location.

Revenue efficiency for the quarter was 95.3%. Contract utilisation was 100%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 231 million.

In April, the rig was declared ready to drill awaiting client instructions. During the period prior to commencement of rig mobilization to client location Awilco Drilling considers that WilPhoenix was on standby rate of USD 22.8 million. Apache North Sea Limited does not agree that the rig was ready to drill nor that Awilco Drilling is entitled to standby rate for this period.

WilHunter

In Q2 2016 the WilHunter remained 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 Q2 2016, Awilco Drilling's Aberdeen based employees numbered 28 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 124 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

The UK Market has seen some recent fixture activity although at day rates anticipated to be close to break-even levels. The supply of drilling rigs in the UK continues to exceed demand and the market is expected to become increasingly seasonal through 2017.

Statement of Responsibility

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

Oslo, 16 August, 2016

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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 2016	YTD	Q2 2015	YTD
	(unaudited)	30.06.16 (unaudited)	(unaudited)	30.06.15
Contract revenue	24,436	24,436	68,366	136,205
Reimbursables	17	50	584	1,213
Other revenue	(4)	10	34	62
	<u>24,449</u>	<u>24,496</u>	<u>68,984</u>	<u>137,480</u>
Rig operating expenses	9,753	21,304	15,999	30,352
Reimbursables	-	-	206	474
General and administrative expenses	2,504	4,379	2,474	4,163
Depreciation	3,444	8,366	4,527	9,046
	<u>15,702</u>	<u>34,049</u>	<u>23,206</u>	<u>44,035</u>
Operating profit/(loss)	<u>8,747</u>	<u>(9,553)</u>	<u>45,778</u>	<u>93,445</u>
Interest income	180	467	19	90
Interest expense	(1,892)	(3,906)	(2,066)	(4,244)
Other financial items	(186)	(700)	385	(58)
Net financial items	<u>(1,898)</u>	<u>(4,139)</u>	<u>(1,662)</u>	<u>(4,212)</u>
Profit/(loss) before tax	6,850	(13,692)	44,116	89,233
Tax benefit/(expense)	80	1,940	(8,771)	(14,651)
Net profit/(loss)	<u>6,929</u>	<u>(11,752)</u>	<u>35,345</u>	<u>74,582</u>
Total comprehensive income/(loss)	<u>6,929</u>	<u>(11,752)</u>	<u>35,345</u>	<u>74,582</u>
Attributable to shareholders of the parent	6,929	(11,752)	35,345	74,582
Basic and diluted earnings per share	0.23	(0.39)	1.18	2.48

Condensed statement of financial position

in USD thousands

	31.06.2016	31.12.2015
	(unaudited)	(audited)
Rigs, machinery and equipment	245,316	234,336
Deferred tax asset	3,932	2,002
	<u>249,248</u>	<u>236,338</u>
Trade and other receivables	0	7,352
Prepayments and accrued revenue	27,240	2,682
Inventory	4,878	5,015
Cash and cash equivalents	37,867	135,257
Current tax	44,016	68,899
	<u>114,001</u>	<u>219,205</u>
Total assets	<u><u>363,249</u></u>	<u><u>455,543</u></u>
Paid in capital	130,142	130,142
Retained earnings	91,872	114,135
	<u>222,014</u>	<u>244,277</u>
Deferred tax liability	0	0
Long-term interest-bearing debt	95,000	100,000
	<u>95,000</u>	<u>100,000</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	1,857	5,990
Accruals and provisions	13,236	17,702
Current tax payable	21,142	77,574
	<u>46,235</u>	<u>111,266</u>
Total equity and liabilities	<u><u>363,249</u></u>	<u><u>455,543</u></u>

**Condensed statement of changes in equity for the period from
1st January 2015 to 30 June 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 loss to 30 June 2016	-	(11,753)	(11,753)
Dividends paid	-	(10,511)	(10,511)
Balance as at 30 June 2016	130,142	91,872	222,014

Condensed statement of cash flow for the period

	YTD Q2 2016 (unaudited)	YTD Q2 2015 (unaudited)
Cash flow from operating activities		
(Loss)/Profit before tax	(13,692)	89,233
Depreciation	8,366	9,046
Interest cost	3,439	4,154
Sharebased payment	749	(413)
(Increase)/decrease in trade and other receivables	7,352	(11,369)
(Increase)/decrease in stock	137	13
(Increase)/decrease in prepayments and accrued revenue	(24,559)	1,696
Increase/(decrease) in trade and other payables	(9,267)	1,137
Interests paid	(3,986)	(6,446)
Interests received	467	90
Taxation paid	(31,539)	(18,821)
Net cash flow from operating activities	(62,534)	68,320
Cash flow from investing activities		
Purchase of property, plant and equipment	(19,345)	(7,853)
Net cash flow from investing activities	(19,345)	(7,853)
Cash flow from financing activities		
Dividends paid	(10,511)	(45,047)
Repayment of loans	(5,000)	(5,000)
Net cash flow from financing activities	(15,511)	(50,047)
Net increase/(decrease) in cash and cash equivalents	(97,390)	10,420
Cash and cash equivalents at beginning of the period	135,257	75,951
Cash and cash equivalents at the end of the period	37,867	86,371

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	19,345	-	19,345
Closing balance	<u>379,820</u>	<u>1,898</u>	<u>381,718</u>
<u>Depreciation</u>			
Opening balance 1 Jan 2016	(126,821)	(1,216)	(128,037)
Depreciation charge	(8,317)	(48)	(8,365)
Accumulated depreciation per ending balance	<u>(135,138)</u>	<u>(1,264)</u>	<u>(136,402)</u>
Net carrying amount at end of period	<u>244,682</u>	<u>634</u>	<u>245,316</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	(20,000)
Total debt per end of accounting period	<u>105,000</u>
Current portion of long term debt	10,000
Long term debt per end of period	<u>95,000</u>
	<u>105,000</u>

Note 3 - Related party transactions

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 Q2 2016
Purchases	(267)
Payables	(87)

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 2.1 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 Q2 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 2 were USD 6.7 million.

Note 8 - Share capital

As of 30 June 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 30 June 2016	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
AWILHELMSSEN OFFSHORE	12,998,938	43.28%
UBS SECURITIES LLC	4,212,355	14.03%
EUROCLEAR BANK S.A./	2,065,622	6.88%
CITIBANK, N.A.	1,612,420	5.37%
CITIBANK, N.A.	1,174,316	3.91%
CITIGROUP GLOBAL MAR	1,129,000	3.76%
JPMORGAN CHASE BANK,	970,839	3.23%
AVANZA BANK AB	653,012	2.17%
MERRILL LYNCH,PIERCE	568,049	1.89%
CLEARSTREAM BANKING	462,608	1.54%
NORDNET BANK AB	369,619	1.23%
JPMORGAN CHASE BANK,	345,619	1.15%
JP MORGAN CLEARING C	190,211	0.63%
PERSHING LLC	183,794	0.61%
UBS SWITZERLAND AG	170,571	0.57%
FIRST CLEARING LLC	153,452	0.51%
JPMORGAN CHASE BANK,	150,536	0.50%
CITIBANK, N.A.	129,251	0.43%
INTERACTIVE BROKERS	111,560	0.37%
DZ PRIVATBANK S.A.	109,448	0.36%
OTHER	2,270,280	7.56%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

	<u>30.06.2016</u> (unaudited)
Fair value of foreign currency forward contracts	\$(999)k

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