



SECOND QUARTER 2017

**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 33.5 million (USD 31.9 million in Q1), EBITDA USD 24.6 million (USD 24.8 million in Q1) and net profit of USD 15.1 million (USD 15.8 million in Q1).
- Revenue efficiency was 97.6% during the quarter (90.7 % in Q1)
- Contract utilisation was 50.0% during the quarter, (50 % in Q1)
- Contract backlog at the end of Q2 was approximately USD 113 million (approximately USD 148 million Q1)
- The Board approved a dividend distribution payable in Q3 2017 of USD 0.20 per share. The shares will trade ex-dividend on 22 August 2017, the record date is 23 August 2017 and the payment date is on or around 22 September 2017.

Key financial figures:

In USD million, except EPS

USD million	Q2 2017	Q1 2017	Q4 2016	2016
Contract revenue	33.5	31.9	12.3	72.5
Operating expenses	6.3	6.1	7.3	36.7
EBITDA	24.6	24.8	2.6	26.7
Net profit/(loss)	15.1	15.8	(3.8)	2.3
EPS	0.50	0.53	(0.13)	0.08
Total assets	355.6	375.2	363.4	363.4
Total equity	245.9	236.9	227.1	227.1
Interest bearing debt	95.0	100.0	100.0	100.0
Gearing ratio	0.4%	4.1%	11.6%	11.6%

Financial Results – Quarter 2, 2017

At the end of Q2 2017, the WilPhoenix was in operations for Apache North Sea Ltd at the Skene location and the WilHunter was cold stacked in Invergordon.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the second quarter 2017 of USD 15.1 million.

Revenue earned in the second quarter was USD 33.5 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 6.3 million. General and administration expenses were USD 2.5 million. This includes USD 0.7 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 24.6 million while the operating profit was USD 20.7 million.

Interest expense amounted to USD 1.7 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 18.9 million. The tax expense for the quarter was USD 3.8 million resulting in a net profit of USD 15.1 million. Earnings per share (EPS) for the second quarter were USD 0.50.

Statement on financial position

As of 30 June 2017, total assets amounted to USD 355.6 million. At the same date, Awilco Drilling had USD 93.9 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q2 2017 the WilPhoenix was in continued operations for Apache North Sea Ltd at the Skene location.

Revenue efficiency for the quarter was 97.6%. Contract utilisation was 100%.

At the end of June, WilPhoenix had a total remaining contract backlog of approximately USD 113 million.

WilHunter

During Q2 2017 the WilHunter was cold 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 uncertain future market prospects.

Organisation

At the end of Q2 2017, Awilco Drilling's Aberdeen based employees numbered 24 permanent personnel supported by 2 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 117 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

The stronger seasonal demand forecast from spring 2018 in the UK floater market has materialised as anticipated with a significant uptick in market enquiries and contract awards. While further term requirements are emerging from the second half of 2018, we anticipate seasonality remaining a strong feature of the UK floater market into 2019. Recent announcements that the North-West European floater fleet is to reduce further through attrition is also positive for the longer term market.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the second quarter of 2017, 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, 16 August, 2017

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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 2017	YTD	Q2 2016	YTD
	(unaudited)	30.06.17 (unaudited)	(unaudited)	30.06.16 (audited)
Contract revenue	33,149	64,796	24,436	24,436
Reimbursables	336	632	17	50
Other revenue	6	12	(4)	10
	<u>33,491</u>	<u>65,440</u>	<u>24,449</u>	<u>24,496</u>
Rig operating expenses	6,319	12,440	9,753	21,304
Reimbursables	86	128	-	-
General and administrative expenses	2,484	3,496	2,504	4,379
Depreciation	3,913	7,762	3,444	8,366
	<u>12,802</u>	<u>23,826</u>	<u>15,702</u>	<u>34,049</u>
Operating profit/(loss)	<u>20,689</u>	<u>41,614</u>	<u>8,747</u>	<u>(9,553)</u>
Interest income	66	98	180	467
Interest expense	(1,687)	(3,504)	(1,892)	(3,906)
Other financial items	(191)	(5)	(186)	(700)
Net financial items	<u>(1,812)</u>	<u>(3,411)</u>	<u>(1,898)</u>	<u>(4,139)</u>
Profit/(loss) before tax	18,877	38,203	6,849	(13,692)
Tax (expense)/benefit	(3,807)	(7,331)	80	1,940
Net profit/(loss)	<u>15,070</u>	<u>30,872</u>	<u>6,929</u>	<u>(11,752)</u>
Total comprehensive income/(loss)	<u>15,070</u>	<u>30,872</u>	<u>6,929</u>	<u>(11,752)</u>
Attributable to shareholders of the parent	15,070	30,872	6,929	(11,752)
Basic and diluted earnings per share	0.50	1.03	0.23	(0.39)

Condensed statement of financial position

in USD thousands

	30.06.2017	31.12.2016
	(unaudited)	(audited)
Rigs, machinery and equipment	231,545	238,868
Deferred tax asset	470	3,058
	<u>232,015</u>	<u>241,926</u>
Trade and other receivables	11,345	17,269
Prepayments and accrued revenue	13,296	7,213
Inventory	4,809	4,844
Cash and cash equivalents	93,926	70,070
Current tax	227	22,079
	<u>123,603</u>	<u>121,475</u>
Total assets	<u><u>355,618</u></u>	<u><u>363,401</u></u>
Paid in capital	130,142	130,142
Retained earnings	115,786	96,926
	<u>245,928</u>	<u>227,068</u>
Deferred tax liability	2,254	1,129
Long-term interest-bearing debt	85,000	90,000
	<u>87,254</u>	<u>91,129</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	1,553	573
Accruals and provisions	8,130	10,708
Current tax payable	2,753	23,923
	<u>22,436</u>	<u>45,204</u>
Total equity and liabilities	<u><u>355,618</u></u>	<u><u>363,401</u></u>

**Condensed statement of changes in equity for the period from
1st January 2016 to 30 June 2017**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2016	130,142	114,135	244,277
Total comprehensive profit to 31 December 2016	-	2,311	2,311
Dividends paid		(19,520)	(19,520)
Balance as at 31 December 2016	130,142	96,926	227,068
Total comprehensive profit to 30 June 2017	-	30,872	30,872
Dividends paid	-	(12,013)	(12,013)
Balance as at 30 June 2017	130,142	115,786	245,928

Condensed statement of cash flow for the period

	Q2 2017 (unaudited)	Q2 2016 (unaudited)
Cash flow from operating activities		
Profit/(loss) before tax	38,203	(13,692)
Depreciation	7,762	8,366
Interest cost	3,406	3,439
Sharebased payment	438	749
(Increase)/decrease in trade and other receivables	5,924	7,352
(Increase)/decrease in stock	35	137.00
(Increase)/decrease in prepayments and accrued revenue	(6,083)	(24,559)
Increase/(decrease) in trade and other payables	(1,937)	(9,267)
Interests paid	(3,603)	(3,986)
Interests received	98	467
Taxation paid	(2,935)	(31,539)
Net cash flow from operating activities	41,308	(62,534)
Cash flow from investing activities		
Purchase of property, plant and equipment	(439)	(19,345)
Net cash flow from investing activities	(439)	(19,345)
Cash flow from financing activities		
Dividends paid	(12,013)	(10,511)
Repayment of loans	(5,000)	(5,000)
Net cash flow from financing activities	(17,013)	(15,511)
Net increase/(decrease) in cash and cash equivalents	23,856	(97,390)
Cash and cash equivalents at beginning of the period	70,070	135,257
Cash and cash equivalents at the end of the period	93,926	37,867

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, 2016. This interim report should be read in conjunction with the audited 2016 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 2017	380,586	1,898	382,484
Additions	439	-	439
Closing balance	<u>381,025</u>	<u>1,898</u>	<u>382,923</u>
<u>Depreciation</u>			
Opening balance 1 Jan 2017	(142,319)	(1,297)	(143,616)
Depreciation charge	(7,728)	(34)	(7,762)
Accumulated depreciation per ending balance	<u>(150,047)</u>	<u>(1,331)</u>	<u>(151,378)</u>
Net carrying amount at end of period	<u>230,978</u>	<u>567</u>	<u>231,545</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

	<u>Total</u>
Secured Bond	125,000
Repayment of debt	(30,000)
Total debt per end of accounting period	<u>95,000</u>
Current portion of long term debt	10,000
Long term debt per end of period	<u>85,000</u>
	<u>95,000</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:

	<u>YTD Q2 2017</u>
Purchases	(393)
Payables	(405)

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 1.0 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 2.1 million.

Note 8 - Share capital

As of 30 June 2017 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 2017	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
AWILHELMOSEN OFFSHORE AS	12 998 938	43,28 %
UBS SECURITIES LLC	4 686 226	15,60 %
EUROCLEAR BANK S.A./N.V.	2 025 831	6,75 %
CITIBANK, N.A.	1 738 527	5,79 %
CITIGROUP GLOBAL MARKETS INC.	1 129 000	3,76 %
CITIBANK, N.A.	971 205	3,23 %
BANK OF AMERICA, N.A.	821 164	2,73 %
AVANZA BANK AB	553 917	1,84 %
CLEARSTREAM BANKING S.A.	486 955	1,62 %
MERRILL LYNCH, PIERCE, FENNER & SM	465 952	1,55 %
PERSHING LLC	385 890	1,28 %
NORDNET BANK AB	355 692	1,18 %
BNP PARIBAS	343 846	1,14 %
J.P. MORGAN SECURITIES LLC	184 702	0,62 %
INTERACTIVE BROKERS LLC	170 947	0,57 %
UBS SWITZERLAND AG	151 399	0,50 %
FIRST CLEARING LLC	136 747	0,46 %
CITIBANK, N.A.	131 241	0,44 %
JPMORGAN CHASE BANK, N.A., LONDON	122 831	0,41 %
DZ PRIVATBANK S.A.	109 448	0,36 %
OTHER	2 061 042	6,86 %
	<u>30 031 500</u>	<u>100,00 %</u>

Note 9 - Derivative Financial Instrument

in USD thousands

30.06.2017
(unaudited)

Fair value of foreign currency forward contracts

(\$422k)

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.