



THIRD 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.

Q3 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 32.4 million (USD 33.5 million in Q2), EBITDA USD 20.9 million (USD 24.6 million in Q2) and net profit of USD 14.2 million (USD 15.1 million in Q2).
- Revenue efficiency was 91.1% during the quarter (97.6 % in Q2).
- Contract utilisation was 50.0% during the quarter, (50 % in Q2).
- Contract backlog at the end of Q3 was approximately USD 76 million (approximately USD 113 million Q2)
- The Board approved a dividend distribution payable in Q4 2017 of USD 0.20 per share. The shares will trade ex-dividend on 21 November 2017, the record date is 22 November 2017 and the payment date is on or around 15 December 2017.

Key financial figures:

In USD million, except EPS

USD million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	2016
Contract revenue	32.4	33.5	31.9	12.3	72.5
Operating expenses	8.1	6.3	6.1	7.3	36.7
EBITDA	20.9	24.6	24.8	2.6	26.7
Net profit/(loss)	14.2	15.1	15.8	(3.8)	2.3
EPS	0.47	0.50	0.53	(0.13)	0.08
Total assets	368.8	355.6	375.2	363.4	363.4
Total equity	254.1	245.9	236.9	227.1	227.1
Interest bearing debt	95.0	95.0	100.0	100.0	100.0
Gearing ratio	-8.9%	0.4%	4.1%	11.6%	11.6%

Financial Results – Quarter 3, 2017

At the end of Q3 2017, the WilPhoenix was in operations for Apache North Sea Ltd at the Callater location and the WilHunter was cold stacked in Invergordon.

Comprehensive Income Statement

Awilco Drilling reports total comprehensive profit for the third quarter 2017 of USD 14.2 million.

Revenue earned in the third quarter was USD 32.4 million.

In the third quarter Awilco Drilling had rig operating expenses of USD 8.1 million. General and administration expenses were USD 3.3 million. This includes USD 1.0 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 third quarter was USD 20.9 million while the operating profit was USD 16.9 million.

Interest expense amounted to USD 1.8 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 15.0 million. The tax expense for the quarter was USD 0.8 million resulting in a net profit of USD 14.2 million. Earnings per share (EPS) for the third quarter were USD 0.47.

Statement on financial position

As of 30 September 2017, total assets amounted to USD 368.8 million. At the same date, Awilco Drilling had USD 115.7 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q3 2017 the WilPhoenix was in continued operations for Apache North Sea Ltd at the Skene location before moving to the Callater location where it remained through the end of the quarter.

Revenue efficiency for the quarter was 91.1%. Contract utilisation was 100%.

At the end of September, WilPhoenix had a total remaining firm contract backlog relating to the Apache contract of approximately USD 76 million.

In September, a Letter of Award (LOA) from Alpha Petroleum Resources Limited was received to drill 18 development wells on the Cheviot Field in the Northern North Sea. The firm program has an estimated duration of 1080 days and is scheduled to commence in Q2 2018. The minimum contract value for the firm term is estimated at USD 126 million.

WilHunter

During Q3 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 Q3 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

UK demand from spring 2018 continues to increase with a number of new programs emerging in the quarter. There remains a lack of term opportunities however and demand is expected to remain seasonal into 2019.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third 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, 15 November, 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

	Q3 2017	YTD	Q3 2016	YTD
	(unaudited)	30.09.17 (unaudited)	(unaudited)	30.09.16 (unaudited)
Contract revenue	32 082	96 878	35 324	59 759
Reimbursables	331	963	356	406
Other revenue	9	21	-	10
	<u>32 422</u>	<u>97 862</u>	<u>35 680</u>	<u>60 175</u>
Rig operating expenses	8 089	20 529	8 131	29 435
Reimbursables	92	220	113	113
General and administrative expenses	3 347	6 844	2 149	6 529
Depreciation	3 961	11 723	3 485	11 850
	<u>15 489</u>	<u>39 316</u>	<u>13 878</u>	<u>47 927</u>
Operating profit/(loss)	<u>16 933</u>	<u>58 546</u>	<u>21 802</u>	<u>12 248</u>
Interest income	85	183	143	610
Interest expense	(1 800)	(5 304)	(1 947)	(5 853)
Other financial items	(186)	(191)	(654)	(1 354)
Net financial items	<u>(1 901)</u>	<u>(5 312)</u>	<u>(2 458)</u>	<u>(6 597)</u>
Profit/(loss) before tax	15 032	53 234	19 344	5 651
Tax (expense)/benefit	(809)	(8 140)	(1 481)	459
Net profit/(loss)	<u>14 223</u>	<u>45 094</u>	<u>17 863</u>	<u>6 110</u>
Total comprehensive income/(loss)	<u>14 223</u>	<u>45 094</u>	<u>17 863</u>	<u>6 110</u>
Attributable to shareholders of the parent	14 223	45 094	17 863	6 110
Basic and diluted earnings per share	0,47	1,50	0,59	0,20

Condensed statement of financial position

in USD thousands

	<u>30.09.2017</u>	<u>31.12.2016</u>
	(unaudited)	(audited)
Rigs, machinery and equipment	227,700	238,868
Deferred tax asset	726	3,058
	<u>228,426</u>	<u>241,926</u>
Trade and other receivables	6,119	17,269
Prepayments and accrued revenue	13,560	7,213
Inventory	4,809	4,844
Cash and cash equivalents	115,683	70,070
Current tax	227	22,079
	<u>140,398</u>	<u>121,475</u>
Total assets	<u><u>368,824</u></u>	<u><u>363,401</u></u>
Paid in capital	130,142	130,142
Retained earnings	124,001	96,926
	<u>254,143</u>	<u>227,068</u>
Deferred tax liability	2,821	1,129
Long-term interest-bearing debt	85,000	90,000
	<u>87,821</u>	<u>91,129</u>
Current portion of long-term debt	10,000	10,000
Trade and other creditors	1,398	573
Accruals and provisions	12,211	10,708
Current tax payable	3,251	23,923
	<u>26,860</u>	<u>45,204</u>
Total equity and liabilities	<u><u>368,824</u></u>	<u><u>363,401</u></u>

**Condensed statement of changes in equity for the period from
1st January 2016 to 30 September 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 September 2017	-	45 094	45 094
Dividends paid	-	(18 019)	(18 019)
Balance as at 30 September 2017	130 142	124 001	254 143

Condensed statement of cash flow for the period

	Q3 2017 (unaudited)	Q3 2016 (unaudited)
Cash flow from operating activities		
Profit/(loss) before tax	53 234	5 651
Depreciation	11 723	11 850
Interest cost	5 121	5 243
Sharebased payment	1 972	(692)
(Increase)/decrease in trade and other receivables	11 150	(4 590)
(Increase)/decrease in stock	36	150
(Increase)/decrease in prepayments and accrued revenue	(6 348)	(33 544)
Increase/(decrease) in trade and other payables	(1 246)	(10 322)
Interests paid	(3 704)	(4 055)
Interests received	183	610
Taxation paid	(2 935)	(6 012)
Net cash flow from operating activities	69 186	(35 711)
Cash flow from investing activities		
Purchase of property, plant and equipment	(554)	(20 360)
Net cash flow from investing activities	(554)	(20 360)
Cash flow from financing activities		
Dividends paid	(18 019)	(13 514)
Repayment of loans	(5 000)	(5 000)
Net cash flow from financing activities	(23 019)	(18 514)
Net increase/(decrease) in cash and cash equivalents	45 613	(74 585)
Cash and cash equivalents at beginning of the period	70 070	135 257
Cash and cash equivalents at the end of the period	115 683	60 672

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	554	-	554
Closing balance	<u>381,140</u>	<u>1,898</u>	<u>383,038</u>
<u>Depreciation</u>			
Opening balance 1 Jan 2017	(142,319)	(1,297)	(143,616)
Depreciation charge	(11,673)	(51)	(11,724)
Accumulated depreciation per ending balance	<u>(153,992)</u>	<u>(1,348)</u>	<u>(155,340)</u>
Net carrying amount at end of period	<u>227,148</u>	<u>550</u>	<u>227,698</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 Q3 2017</u>
Purchases	(604)
Payables	(191)

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 Q3 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 3 were USD 1.8 million.

Note 8 - Share capital

As of 30 September 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 September 2017	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 30 September	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	4,686,226	15.60%
EUROCLEAR BANK S.A./	2,022,331	6.73%
CITIBANK, N.A.	1,771,784	5.90%
CITIGROUP GLOBAL MAR	1,129,000	3.76%
CITIBANK, N.A.	1,000,831	3.33%
BANK OF AMERICA, N.A	784,744	2.61%
AVANZA BANK AB	605,004	2.01%
CLEARSTREAM BANKING	510,990	1.70%
PERSHING LLC	387,334	1.29%
NORDNET BANK AB	377,564	1.26%
BNP PARIBAS	346,359	1.15%
MERRILL LYNCH, PIERC	313,638	1.04%
INTERACTIVE BROKERS	186,867	0.62%
J.P. MORGAN SECURITI	164,702	0.55%
UBS SWITZERLAND AG	152,899	0.51%
FIRST CLEARING LLC	140,552	0.47%
CITIBANK, N.A.	130,741	0.44%
DZ PRIVATBANK S.A. 0	119,448	0.40%
JPMORGAN CHASE BANK,	115,931	0.39%
OTHER	2,085,617	6.94%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

30.09.2017
(unaudited)

Fair value of foreign currency forward contracts

(\$605k)

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.