



AWILCO DRILLING

FOURTH QUARTER 2014 PRELIMINARY FULL YEAR 2014 RESULTS

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.

Q4 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 70.9 million (USD 76.2 million in Q3), EBITDA of USD 54.9 million (USD 56.0 million in Q3) and net profit of USD 38.9 million (USD 38.1 million in Q3).
- Revenue efficiency was 98.7% during the quarter (99.3% in Q3).
- Contract backlog at the end of Q4 was approximately USD 511 million (approximately USD 582 million Q3).
- The Board approved a dividend distribution payable in Q1 2015 of USD 1.0 per share. The share will trade ex-dividend on 17 February 2015, the record date is 18 February 2015 and the payment date is on or around 20 March 2015.

Key financial figures:

In USD million, except per day operating expenses and EPS

USD million	Q4 2014	Q3 2014	2014	2013
Contract revenue	70.9	76.2	276.1	236.5
Operating expenses	15.7	16.9	64.2	56.6
EBITDA	54.9	56.0	197.4	159.5
Net profit	38.9	38.1	137.5	122.3
EPS	1.30	1.27	4.58	4.07
Total assets	458.1	446.6	458.1	387.8
Total equity	208.4	204.0	208.4	207.5
Interest bearing debt	120.0	125.0	120.0	98.1
Gearing ratio	17.5%	24.1%	17.5%	18.1%
Per day operating expenses	85,258	91,614	87,915	78,567

Financial Results – Fourth Quarter 2014

At the end of Q4 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 fourth quarter 2014 of USD 38.9 million.

Revenue earned in the fourth quarter was USD 70.9 million.

In the fourth quarter Awilco Drilling had rig operating expenses of USD 15.7 million. General and administration expenses were USD 2.1 million. This includes a credit of USD 1.6 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. Other income of USD 2.5 million is in respect of settlement of a previous contractual dispute. There are no outstanding disputes remaining.

EBITDA for the fourth quarter was USD 54.9 million while the operating profit was USD 50.3 million.

Interest expenses amounted to USD 2.2 million, which relates to accrued interest on the secured bond.

Profit before tax was USD 48.1 million. The tax charge for the quarter was USD 9.2 million. The resulting net profit was USD 38.9 million. Earnings per share (EPS) for the fourth quarter were USD 1.30.

Statement on financial position

As of 31 December 2014, total assets amounted to USD 458.1 million. At the same date, Awilco Drilling had USD 76.0 million in cash and cash equivalents.

Financial Results – Full Year 2014

Awilco Drilling reports total comprehensive income for 2014 of USD 137.5 million. Total full year revenues were USD 276.1 million. Rig operating expenses were USD 64.2 million and general and administration expenses were USD 15.7 million. EBITDA for the year was USD 197.4 million while the operating profit was USD 179.5 million. Profit before tax was USD 167.8 million. The tax charge for the year was USD 30.3 million. The resulting net profit was USD 137.5 million. Earnings per share (EPS) for the year were USD 4.58.

Operations and Contract Status

WilPhoenix

In Q4 2014 the WilPhoenix was in continued operations for Marathon Oil UK Ltd (as part of the three year Apache contract) where it remained through the end of the quarter.

Revenue efficiency for the quarter was 97.9%.

At the end of December, WilPhoenix had a total remaining contract backlog of approximately USD 382 million.

WilHunter

In Q4 2014 the WilHunter was in continued operations for Hess UK Ltd.

Revenue efficiency for the quarter was 99.4%.

At the end of December, WilHunter had a total remaining contract backlog of approximately USD 129 million.

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 and planned capital expenditure.

Organisation

At the end of Q4 2014, Awilco Drilling's Aberdeen based employees numbered 31 permanent personnel supported by 2 contractors. Awilco Drilling Pte Ltd offshore personnel numbered 208 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

Awilco Drilling is effectively fully contracted to the end of 2015. The UK market significantly slowed down during late 2014 and contracting activity has become very limited.

The UK market is seeing increased rig availability, which is anticipated to continue throughout 2015 and 2016.

Statement of Responsibility

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

Aberdeen, 11 February, 2015

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

	Q4 2014	Full Year	Q4 2013	Full Year
	(unaudited)	2014	(unaudited)	2013
		(unaudited)		(audited)
Contract revenue	70,116	271,971	60,733	233,152
Reimbursables	699	3,969	635	3,314
Other revenue	55	198	29	66
	<u>70,870</u>	<u>276,138</u>	<u>61,397</u>	<u>236,532</u>
Rig operating expenses	15,687	64,178	16,313	56,568
Reimbursables	283	1,157	204	1,239
General and administrative expenses	2,134	15,706	5,688	20,887
Other (income)	(2,485)	(2,485)	(1,335)	(3,535)
Other expense	382	180	-	1,900
Depreciation	4,542	17,912	4,415	17,609
	<u>20,543</u>	<u>96,648</u>	<u>25,285</u>	<u>94,668</u>
Operating profit	<u>50,326</u>	<u>179,490</u>	<u>36,112</u>	<u>141,864</u>
Interest income	46	161	20	120
Interest expense	(2,221)	(11,861)	(2,238)	(9,379)
Other financial items	-	-	-	(128)
Net financial items	<u>(2,175)</u>	<u>(11,700)</u>	<u>(2,218)</u>	<u>(9,387)</u>
Profit before tax	48,151	167,790	33,894	132,477
Tax (expense)	(9,215)	(30,306)	(2,332)	(10,214)
Net profit	<u>38,935</u>	<u>137,484</u>	<u>31,562</u>	<u>122,263</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>38,935</u>	<u>137,484</u>	<u>31,562</u>	<u>122,263</u>
Attributable to shareholders of the parent	38,935	137,484	31,562	122,263
Basic and diluted earnings per share	1.30	4.58	1.05	4.07

Condensed statement of financial position

in USD thousands

	31.12.2014	31.12.2013
	(unaudited)	(audited)
Rigs, machinery and equipment	251,165	245,279
Deferred tax asset	2,486	2,763
	<u>253,651</u>	<u>248,042</u>
Trade and other receivables	12,116	14,417
Prepayments and accrued revenue	28,938	25,835
Inventory	4,800	4,800
Cash and cash equivalents	75,951	52,347
Current tax	82,594	42,317
	<u>204,399</u>	<u>139,716</u>
Total assets	<u>458,050</u>	<u>387,758</u>
Paid in capital	130,142	130,142
Retained earnings	78,211	77,370
	<u>208,353</u>	<u>207,512</u>
Deferred tax liability	-	554
Long-term interest-bearing debt	110,000	87,098
	<u>110,000</u>	<u>87,652</u>
Current portion of long-term debt	10,000	11,000
Trade and other creditors	3,233	3,140
Accruals and provisions	17,942	25,182
Current tax payable	108,522	53,272
	<u>139,697</u>	<u>92,594</u>
Total equity and liabilities	<u>458,050</u>	<u>387,758</u>

**Condensed statement of changes in equity for the period from
1st January 2013 to 31 December 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 31 December 2014	-	137,484	137,484
Dividends paid	-	(136,643)	(136,643)
Balance as at 31 December 2014	130,142	78,211	208,353

Condensed statement of cash flow for the period

	Full Year 2014 (unaudited)	Full Year 2013 (audited)
Cash flow from operating activities		
Profit before tax	167,790	132,477
Depreciation	17,912	17,609
Interest cost	11,695	9,387
Sharebased payment	(7,149)	9,653
(Increase)/decrease in trade and other receivables	2,301	7,868
(Increase)/decrease in prepayments and accrued revenue	(6,375)	(10,306)
Increase/(decrease) in trade and other payables	3,347	4,918
Interests paid	(11,929)	(9,761)
Interests received	161	120
Taxation paid	(15,610)	(4,231)
Net cash flow from operating activities	162,144	157,734
Cash flow from investing activities		
Purchase of property, plant and equipment	(23,797)	(12,715)
Net cash flow from investing activities	(23,797)	(12,715)
Cash flow from financing activities		
Dividends paid	(136,643)	(93,098)
Issue of loans	125,000	-
Repayment of loans	(103,098)	(16,500)
Net cash flow from financing activities	(114,741)	(109,598)
Net increase/(decrease) in cash and cash equivalents	23,604	35,421
Cash and cash equivalents at beginning of the period	52,347	16,926
Cash and cash equivalents at the end of the period	75,951	52,347

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	23,132	665	23,797
Closing balance	329,321	1,872	331,194
Opening balance 1 Jan 2014	(61,393)	(724)	(62,117)
Depreciation	(17,601)	(311)	(17,912)
Accumulated depreciation per ending balance	(78,994)	(1,035)	(80,029)
Net carrying amount at end of period	250,327	837	251,165
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 and commenced in October 2014

	Total
Secured Bond	125,000
Repayment of debt	(5,000)
Total debt per end of accounting period	120,000
Current portion of long term debt	10,000
Long term debt per end of period	110,000
	120,000

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 Q4 2014</u>
Purchases	(774)
Payables	(21)

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 1.4 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 Q4 the rigs were operational and 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 4 were USD 22.9 million.

Note 8 - Share capital

As of 31 December 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 31 December 2014	30,031,500	£0.0065	304,173	129,837,405
Basic/diluted average number of shares, 1 January - 31 December	30,031,500			
Basic/diluted average number of shares, YTD	30,031,500			

Ranking	Shares	Ownership
AWILHELMSSEN OFFSHORE	12,998,938	43.28%
EUROCLEAR BANK S.A./	1,879,402	6.26%
UBS SECURITIES LLC	1,599,318	5.33%
CITIBANK, N.A.	1,278,301	4.26%
JPMORGAN CHASE BANK	1,158,960	3.86%
DEUTSCHE BANK AG	1,157,112	3.85%
MERRILL LYNCH PROF.	1,129,000	3.76%
CITIBANK, N.A.	948,402	3.16%
MERRILL LYNCH, PIERCE	752,294	2.51%
AVANZA BANK AB MEGLE	647,480	2.16%
JPMORGAN CHASE BANK	574,384	1.91%
J.P. MORGAN CHASE BA	438,313	1.46%
FIRST CLEARING A/C L	422,082	1.41%
NORDNET BANK AB	338,755	1.13%
CLEARSTREAM BANKING	330,273	1.10%
JP MORGAN CLEARING C	310,764	1.03%
PERSHING LLC	250,993	0.84%
SIX SIS AG	231,394	0.77%
JPMORGAN CHASE BANK	214,057	0.71%
BARCLAYS BANK PLC	100,000	0.33%
OTHER	3,271,278	10.89%
	<u>30,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

31.12.2014
(unaudited)

Fair value of foreign currency forward contracts \$294k

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