Q3 2013 Presentation

Oslo, 14th of November 2013

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Agenda

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2. Q3 2013 Financial Results
3. Operational Update
4. Market Outlook
5. Summary
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1. Highlights

Highlights

- Announcement of USD 1.10 dividend
- Contract amendment signed with Premier Oil – min' contract value USD 27 million
- Total Q3 Revenue USD 62.3 million; EBITDA USD 46.3 million
- Q3 Opex per rig approx. USD 73,500 per day
- Total contract backlog at end of Q3 was USD 800 million
- Revenue efficiency during Q3 was 98.9%

2. Q3 2013 Financial Results

Q3 2013 Income Statement

Condensed statement of comprehensive income

in USD thousands, except earnings per share	Q3 2013 (unaudited)	YTD 30.09.13 (unaudited)	Q3 2012 (unaudited)	YTD 30.09.2012 (unaudited)
Contract revenue	61,429	172,419	43,427	95,085
Reimbursables	825	2,679	625	1,209
Other revenue	12	37	332	3,180
	62,266	175,135	44,384	99,474
Rig operating expenses	13,516	40,256	13,408	42,100
Reimbursables	272	1,035	239	501
Provision for doubtful debts	-	-	2,973	6,138
General and administrative expenses	4,286	15,199	3,526	9,431
Other (income)	(2,132)	(2,200)	-	-
Other expense	-	1,900	-	-
Depreciation	4,405	13,194	4,439	13,255
	20,347	69,384	24,585	71,425
Operating profit	41,919	105,751	19,799	28,049
Interest income	38	100	3	14
Interest expense	(2,354)	(7,141)	(3,382)	(10,446)
Other financial items	-	(128)	(230)	(294)
Net financial items	(2,316)	(7,169)	(3,609)	(10,726)
Profit/(Loss) before tax	39,603	98,583	16,190	17,323
Tax (expense)	(2,986)	(7,882)	(1,834)	(1,827)
Net profit/(loss)	36,617	90,701	14,356	15,496
Other comprehensive income	-	-	-	-
Total comprehensive income	36,617	90,701	14,356	15,496
Attributable to minority interests	-	-	-	-
Attributable to shareholders of the parent	36,617	90,701	14,356	15,496
Basic and diluted earnings per share	1.22	3.02	0.48	0.52

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Q3 2013 Balance Sheet

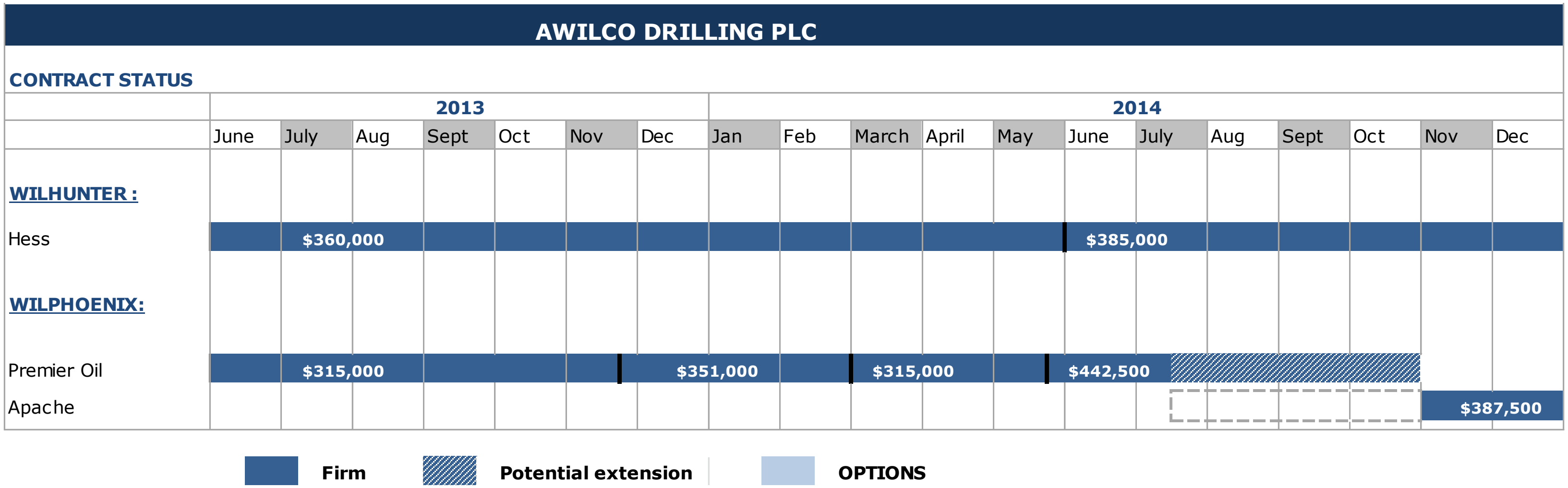
Condensed statement of financial position

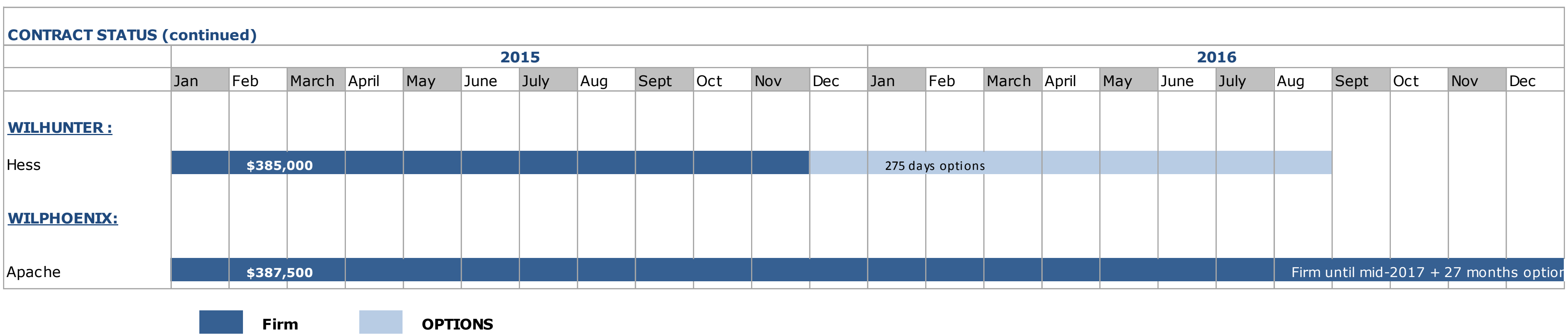
in USD thousands

	30.09.2013 (unaudited)	31.12.2012 (audited)
Rigs, machinery and equipment	243,836	250,173
Deferred tax asset	2,354	853
	246,190	251,026
Trade and other receivables	21,153	22,285
Prepayments and accrued revenue	22,460	15,529
Inventory	4,800	4,800
Cash and cash equivalents	43,551	16,926
Current tax	26,619	6,542
	118,583	66,082
Total assets	364,773	317,108
Paid in capital	130,142	130,142
Retained earnings	78,843	48,206
	208,985	178,348
Deferred tax liability	769	769
Long-term interest-bearing debt	89,848	98,098
	90,617	98,867
Current portion of long-term debt	11,000	16,500
Trade and other creditors	1,555	1,965
Accruals and provisions	17,999	12,041
Current tax payable	34,617	9,387
	65,171	39,893
Total equity and liabilities	364,773	317,108

3. Operational Update

Contract Status – Current Backlog USD 825 million*





*as of 13 Nov 2013

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Operational Performance

- High operational performance in Q3 with 98.9% operational uptime
- Continued positive customer feedback
- Opex in Q3 still lower than guidance
  - Lower than planned spend on major expense projects due to timing

Dividend Distribution

- Announcement of dividend payable in Q4 of USD 1.10 per share
- Dividend payable on or around the 20th December 2013
- Share will trade ex-dividend on 20th November 2013, the record date will be 22nd November
- Future quarterly dividend payments will be in line with the Company's intent of distributing all free cash flow above a robust cash buffer to support operational working capital requirements and planned capital expenditure

SPS Project – plan far ahead for a smooth and quick SPS

- Planning focus: to ensure long term future of both rigs
- Limited in scope: SPS project not to include historically risky elements, e.g. large steel renewal or water depth change
- SPS cost still estimated to be approx. USD 20 million per rig
- Remaining Fatigue Life of each rigs is 18 years
- Commitment to ordering long lead items for BOP replacements on both rigs
- Total cost for BOP replacements estimated to be USD 45 million for both rigs
- New BOP installation to be undertaken during 2016 SPS yard stays – off-hire still estimated to be about 2 months per rig

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New BOPs Maximise Rig Uptime, Economic Lifetime and Customer Base

In November, Awilco Drilling committed to acquire new premium BOP systems for each rigs, so as to:

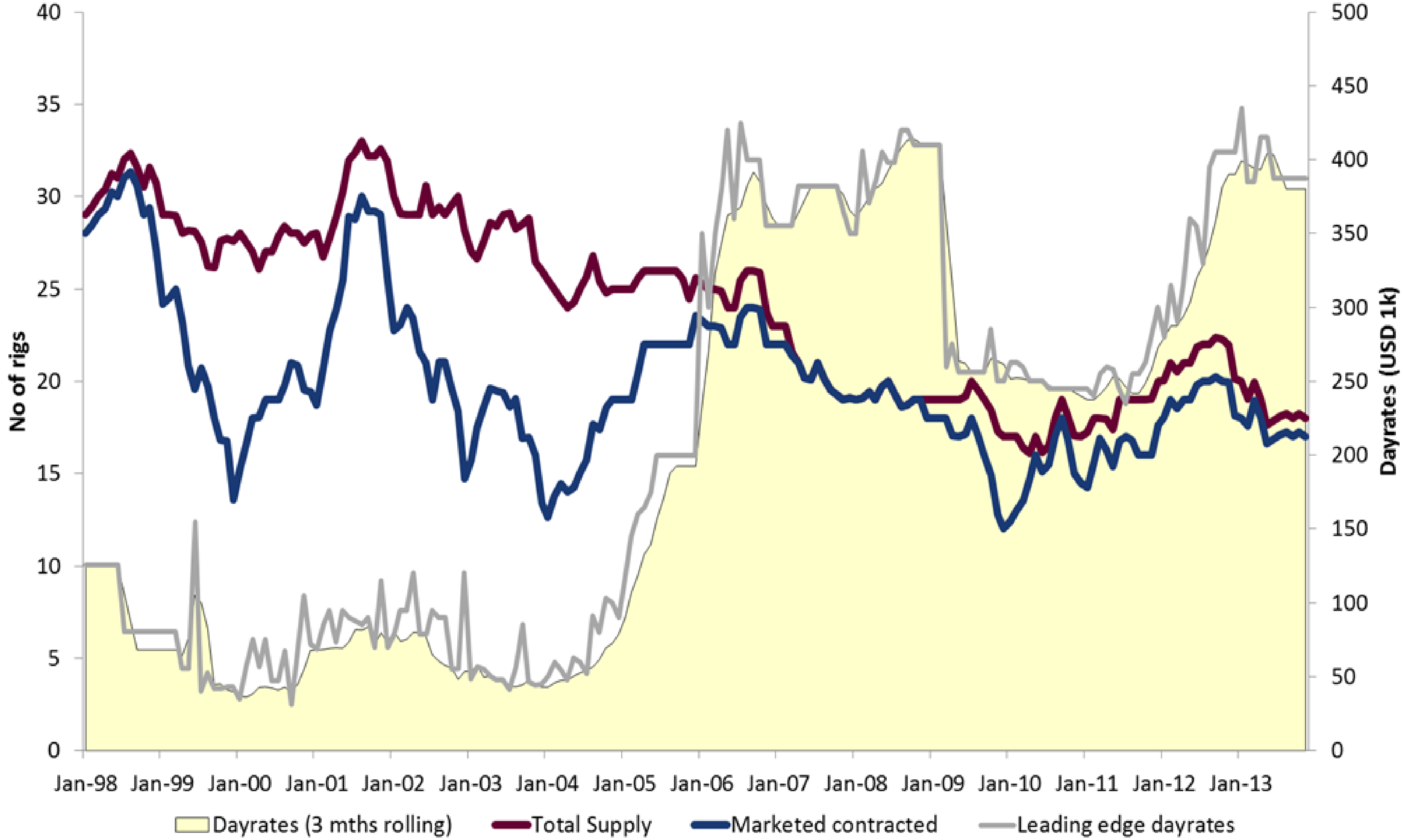
- Ensure continued compliance with regulatory and customer requirements and address potential strengthening of standards
- Mitigating operational risks
  - BOPs are typically the #1 source of semi-sub rig downtime
- Mitigating project risks
  - Refurbishing existing BOPs increases yard stay duration risk
- Maximising potential customer base
  - Certain supermajors may otherwise be excluded
- Maximising rig lifetime
  - Rig remaining fatigue life = 18 years; market expected to remain in balance

Assumptions for 2014

- Opex expected to be approximately USD 95,000 per day
  - Assumes UK Employers National Insurance Contributions (NICs) payable from April 2014 for all offshore staff
- SG&A expected to be approximately USD 3 million per quarter
- Total Capex expected to be around USD 30 million (full year, both rigs)
  - New BOP commitments USD 15 million
  - Routine Capex USD 15 million

4. Market Outlook

Dayrates and Contract Duration remain Attractive in the UK Market



Source: Fearnley Fonds and IHS Petrodata

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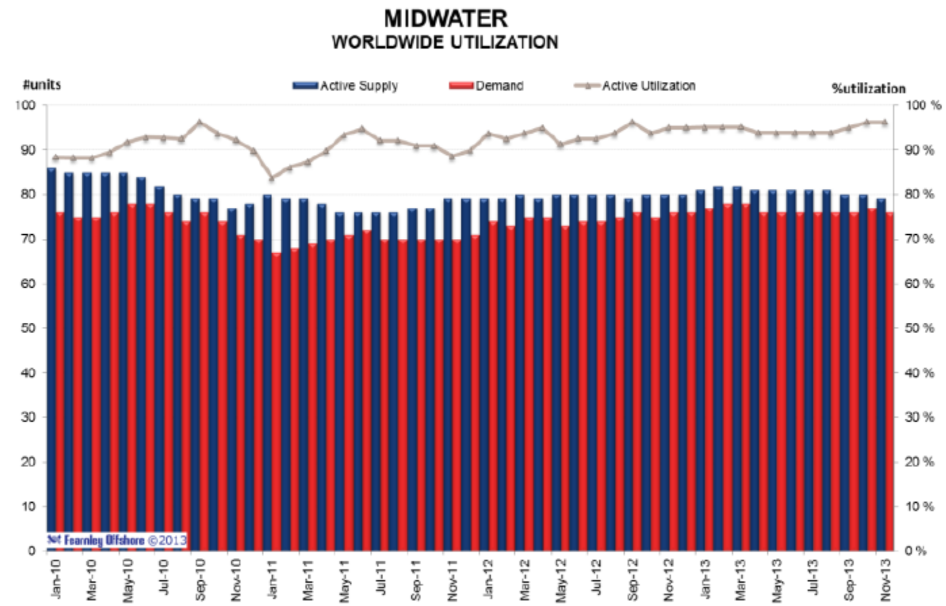
Limited Influx of Rigs to the UK and Limited Orderbook should keep the Market in Balance

MW Region

ASIA PACIFIC, INDIAN SUBC. & AUS/NZ	Active Supply	21
	Demand	20
	Cold stacked	5
	Active Utilization	95,2 %
NORTH SEA	Active Supply	35
	Demand	33
	Cold stacked	1
	Active Utilization	94,3 %
WEST AFRICA	Active Supply	4
	Demand	3
	Cold stacked	1
	Active Utilization	75,0 %
GULF OF MEXICO	Active Supply	2
	Demand	2
	Cold stacked	4
	Active Utilization	100,0 %
SOUTH AMERICA	Active Supply	12
	Demand	11
	Cold stacked	0
	Active Utilization	91,7 %

Current fleet	Semis	Drillships	Total
Active Supply	75	4	79
Demand	73	3	76
Cold stacked	12	1	13
Active Utilization	97,3 %	75,0 %	96,2 %

Orderbook	Semis	Drillships	Total
Orderbook	4	0	4
Delivery 2014	2	0	2
Delivery 2015	2	0	2



Source: Fearnley Offshore

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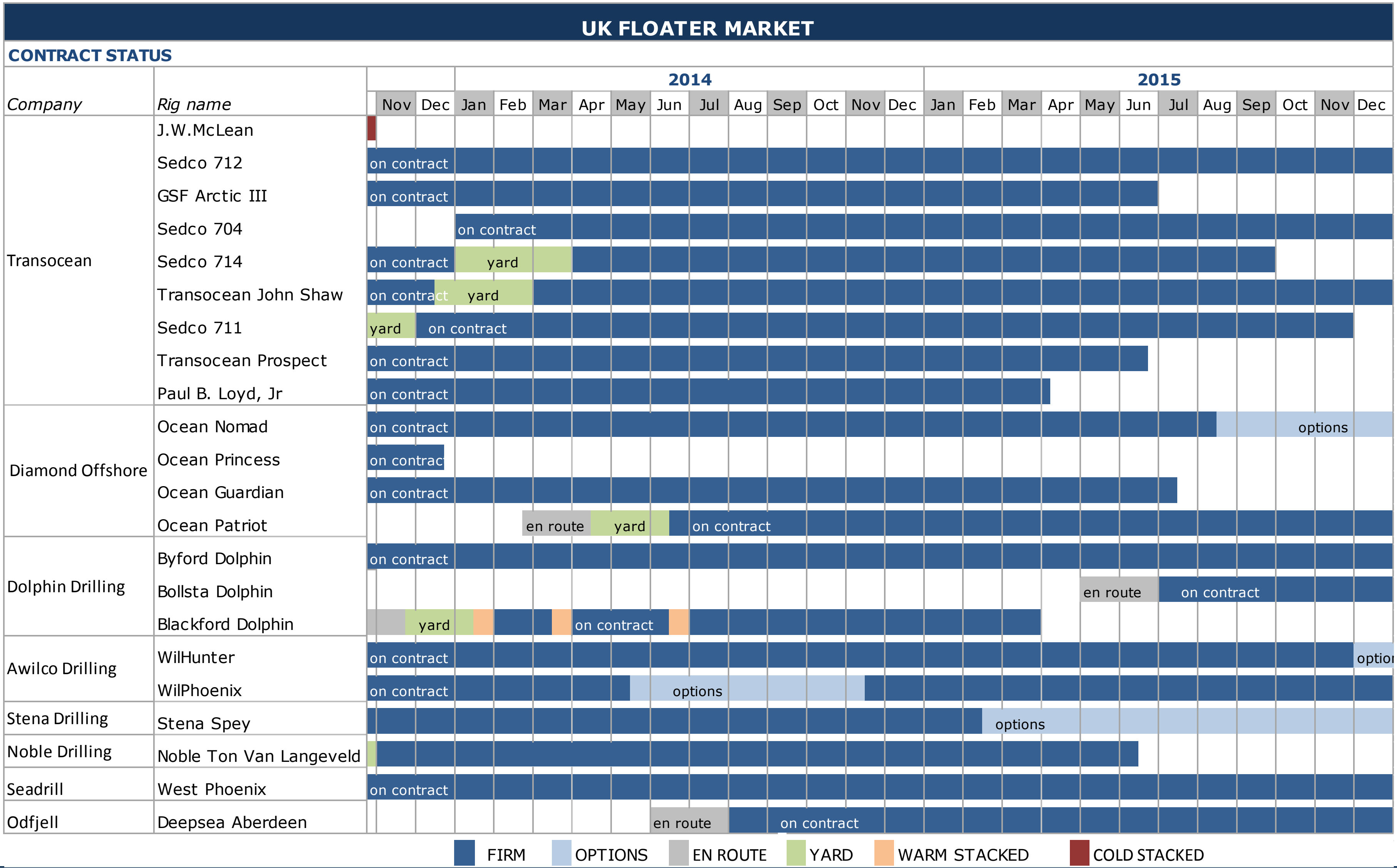
The UK Market is close to Sold Out until mid-2015



Source: IHS-Petrodata

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Why do we expect the UK market to be tight beyond 2014?

- Sustained “high” oil price well above investment triggers and combined with the UKs stable tax regime is under-pinning operator confidence
- UK Government encouraging drilling activity through licensing
- Major Operators increasing activity in established Northern and Central North Sea
- Major Operators increasing activity in new developments West of Shetland
- Major Operators increasing decommissioning and well abandonment activity
- Independents Operators continuing to exploit marginal fields & push the sublet market
- UK market has barriers to entry

5. Summary

Summary

- Market fundamentals remain positive
- Solid current contract backlog of USD 825 million
- Continued focus on operational efficiency
- Announcement of dividend payable in Q4 of USD 1.10
- Evaluating growth opportunities on a case-by-case basis

Q&A