

March 31st 2015

Island Drilling Company ASA

1st Quarter Financial Report



ISLAND DRILLING



Operations

Operations continue to be satisfactory also for Q1/15 –with an average available rig time for the Island Innovator above the budget for the quarter. At the same time, the operating expenses (OPEX) are well below budget. As can be seen from the accounts, this has resulted in a good operating profit (EBITDA).

The rig concluded operations on well 25/10-12S Kopervik, and the rig performed a good drill stem test, The rig then relocated to two short well programs on 26/10-1 Zulu and 16/1-24 Gemini, both without testing. Then the rig was relocated to well 7220/11-2 Alta, for drilling a well according to the Lundin well program.

The main focus in Q1/15 has been on continuing to improve operations and increasing the available rig time. A number of measures have been implemented in cooperation with the rig manager – Odfjell Drilling AS – to optimise procedures and operations, and improve technical solutions. Operational development has been good, with planned projects being completed. No lost-time incidents have been reported. We now see the results of this continuous work in the Q1/15 performance.

Market update

The negative trend observed in the rig market throughout 2014 is continuing. However, since the rig still has 4 wells left under its 12-well Lundin Charter Contract, the weaker rig market has no impact on the company's profitability in the short term.

Financial update

Operating revenues in Q1/15 amounted to USD 42.8 million. (Q1/14 USD 39,8 million), while EBITDA in Q1/15 amounted to USD 25,9 million (Q1/14 USD 17,4 million)).

Total fixed assets as of 31 March 2015 amount to USD 649,6 million. Current assets total USD 59,0 million, of which bank deposits amount to USD 14,4 million. Long-term liabilities amount to USD 398,9 million as of 31 March 2015, a decrease of USD 21,7 million since year-end 2014. Long-term liabilities include the senior bank loan, the bond loan and loans from related parties. Current liabilities as of 31 March 2015 amount to USD 88,6 million, including the short-term portion of the long-term debt. The company was in breach of the financial covenant requiring the company to have a positive working capital (adjusted for 6mths instalments) as at 31.03.15. However, the banks providing the long term financing has waived this covenant until 30.06.2015. Furthermore, the company was in compliance with the financial covenants again already 30 April 2015.

The cash flow from operating activities for the first quarter 2015 was USD 8,9 million (Q1/14 USD 7,6 million), while the cash flow from investments was minus USD 2,7 million. The cash flow from financing activities was minus USD 20,6 million. This resulted in a net cash flow of minus USD 14,4 million in Q1/15 (Q1/14 minus USD 14,4 million), decreasing the cash and cash equivalents from USD 28,8 million at 31 December 2014 to USD 14,4 million at 31 March 2015 (USD 14,9 million at 31 March 2014).

Profit & Loss Account

Amounts in USD 1,000s	Q1 2015	Q1 2014	2014
Revenues	42 837	39 759	167 776
Operating expenses	16 970	22 336	84 576
EBITDA	25 867	17 423	83 200
Depreciation and amortisation	8 105	8 404	34 082
Impairment	0	0	61 433
EBIT	17 762	9 020	-12 315
Net financial items	-13 519	-6 824	-31 149
Net pre-tax profit	4 243	2 196	-43 464
Taxes	0	0	0
Net result after taxes	4 243	2 196	-43 464
<i>EBITDA%</i>	<i>60 %</i>	<i>44 %</i>	<i>50 %</i>

Balance sheet

Amounts in USD 1,000s	31-03-15	31-03-14	31-12-14
Assets			
<i>Fixed assets</i>			
Total intangible assets	0	0	0
Rig, machinery and equipment	649 614	729 982	655 015
Total Fixed Assets	649 614	729 982	655 015
<i>Current Assets</i>			
Total receivables	44 604	57 265	36 174
Cash and cash equivalents	14 390	14 934	28 826
Total Current Assets	58 995	72 199	64 999
Total Assets	708 608	802 182	720 014
Equity and Liabilities			
Paid-in equity	216 869	260 333	216 869
Retained earnings	4 243	2 196	0
Total Equity	221 112	262 529	216 869
Bonds	137 429	136 572	137 215
Long term loans	261 443	312 751	283 321
Current liabilities	88 624	90 329	82 609
Total Liabilities	487 496	539 653	503 145
Total Equity and Liabilities	708 608	802 182	720 014

Cash flow statement

Amounts in USD 1,000s	Q1 2015	Q1 2014	2014
Cash flow from operating activities	8 857	7 559	58 167
Cash flow from investment activities	-2 704	-5 836	-17 506
Cash flow from financing activities	-20 588	-16 131	-41 177
Net cash flow in the period	-14 435	-14 408	-516
Cash and cash equiv. at start of period	28 826	29 342	29 342
Cash and cash equiv. at end of period	14 390	14 934	28 826



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Contact us

Formal address:

Island Drilling Company ASA,
Stålhaugen 5,
6065 Ulsteinvik

Bergen office:

Island Drilling Company ASA,
Kokstaddalen 23,
5257 Kokstad

Tel: +47 70 00 97 63

Fax: +47 70 00 97 51

www.islanddrilling.no