



ISLAND DRILLING



Q2 – Report 2014



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Change of name and new Board Members

At the Annual General Meeting of the Company convened in Ulsteinvik June 10th, 2014 it was decided to change the name of the company from Maracc – Marine Accurate Well ASA to **Island Drilling Company ASA**. At the same Annual General Meeting two new members were elected to the Board of Directors: Mrs. Maria Loen and Mr. Jan Krokeide. Mr. Øivind Lund Chairman, Mr. Morten Ulstein and Mrs. Dionne Chouest Austin were re-elected.

Operation

Operations have been satisfactory in Q2/14 – with an average available rig time for the Island Innovator above budget for the entire quarter. Also the operational expenses (OPEX) are in line with expectations.

The rig finished operations on well 16/1-18 on the “Edvard Grieg Field” May 15th and was thereafter relocated to the Barents Sea to drill well 7120/1-4S “Gotha”.

The main focus in Q2/14 has been to improve the operations and to increase the available rig time. A number of measures have been implemented in co-operation with the rig manager – Odfjell Drilling AS – optimizing procedures and operations and improving technical solutions. The operational development has been good:

- several projects have been completed
- the uptime has been stable – and above budget
- the charter rate has been escalated according to contract
- no lost time incidents

Q2 has thus been a good quarter for the Island Innovator, however continuing improving the operations and keeping the available rig time at a high level will remain the main focus also going forward.

Market Update

The negative trend observed in the rig market Q1/14 is strengthening. However, as the rig had not yet finalized the 4th well contracted under the fixed 12 well Lundin Charter Contract at the end of Q1/14, the weaker rig market has no impact on the profitability of the Company in the short run.



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Financial update

Island Drilling reports a net result for the second quarter of 2014 (Q2/14) of MUSD 4,6. For the first half of the year (H1/14) the net result was MUSD 6,8. Operating Revenue Q2/14 was MUSD 43,3 Mill. (H1/14 MUSD 83,0), whilst EBITDA Q2/14 amounted to MUSD 21,9 (H1/14 MUSD 39,4).

Total fixed assets as at 30.06.14 totals MUSD 721,4. Current assets totals MUSD 78,1 of which bank deposits amount to MUSD 18,1.

Long term liabilities amounts to MUSD 444,8 as at 30.06.14, a decrease of MUSD 20,0 since year end 2013. Long term liabilities include the senior bank loan, the bond loan as well as loans from related parties.

Current liabilities as at 30.06.14 amounts to MUSD 87,6, including the short term portion of the long term debt.

Cash Flow from operating activities for the second quarter of 2014 was MUSD 8,0 (H1/14 MUSD 15,5), whilst cash flow from investments was minus MUSD 0,4. Cash flow from financing activities was minus MUSD 4,5. This resulted in a net cash flow of MUSD 3,1. Q2/14 (H1/14 minus MUSD 11,3), increasing the cash and cash equivalents from MUSD 14,9 at 31.03.14 to MUSD 18,0 at 30.06.14 (MUSD 29,3 at year-end).



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Profit & Loss Account

Amounts in USD 1 000	YTD Q2 2014	Q2 2014	Q1 2014	2013
Revenues	83 022	43 262	39 759	37 287
Operating expenses	43 670	21 334	22 336	22 383
EBITDA	39 352	21 928	17 423	14 904
Depreciation and amortization	16 901	8 497	8 404	9 151
EBIT	22 451	13 431	9 020	-6 546
Net financial items	-15 654	-8 830	-6 824	-8 877
Net result before taxes	6 797	4 601	2 196	-15 424
Taxes	0	0	0	0
Net result after taxes	6 797	4 601	2 196	-15 424
<i>EBITDA%</i>	<i>47 %</i>	<i>51 %</i>	<i>44 %</i>	<i>40 %</i>

Balance sheet

Amounts in USD 1 000	30-06-14	31-03-14	31-12-13
Assets			
<i>Non-current assts</i>			
Total intangible assets	0	0	0
Rig, machinery and equipment	721 434	729 982	733 023
Total Fixed Assets	721 434	729 982	733 023
<i>Current Assets</i>			
Total receivables	60 053	57 265	54 930
Cash and cash equivalents	18 053	14 934	29 342
Total Current Assets	78 105	72 199	84 272
Total Assets	799 539	802 182	817 295
Equity and Liabilities	30-06-14	31-03-14	31-12-13
Paid in Equity	260 333	260 333	260 333
Retained earnings	6 797	2 196	0
Total Equity	267 130	262 529	260 333
Bonds	136 787	136 572	136 358
Long term loans	307 986	312 751	328 412
Current Liabilities	87 636	90 329	92 192
Total Liabilities	532 409	539 653	556 962
Total Equity and Liabilities	799 539	802 182	817 295

Cash flow statement

Amounts in USD 1 000	YTD Q2 2014	Q2 2014	Q1 2014	2013
Cash Flow from Operating activities	15 542	7 983	7 559	-26 545
Cash Flow from Investment activities	-6 244	-408	-5 836	-242 835
Cash Flow from Financing activities	-20 588	-4 457	-16 131	234 069
Net cash flow in the period	-11 290	3 118	-14 408	-35 310
Cash and cash equiv. at the beginning of period	29 342	14 934	29 342	64 652
Cash and cash equiv. at the end of period	18 053	18 053	14 934	29 342