



Drilling deeper into trouble

2Q14 RIG SECTOR PREVIEW

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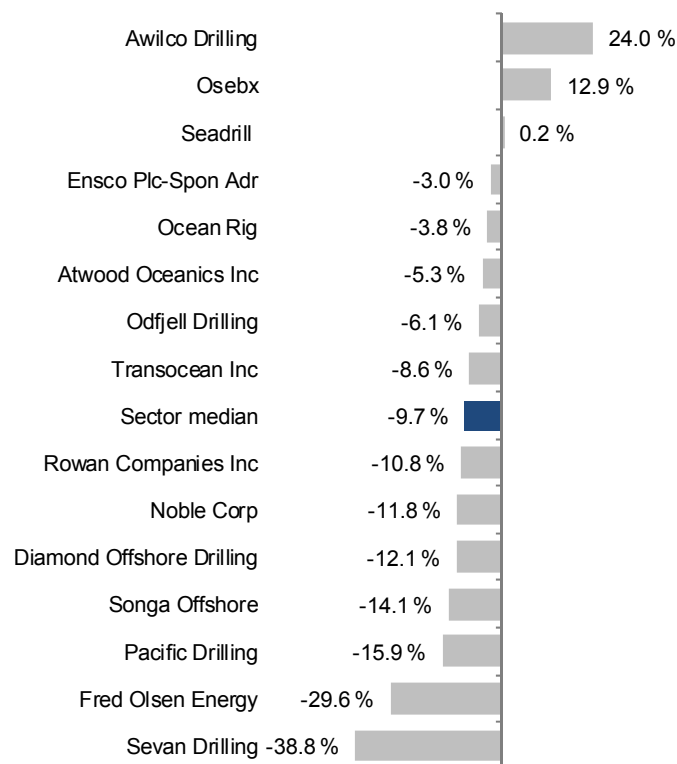
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Weak performance for sector shares continues on the back of deteriorating market balance

INVESTMENT CASE (1/3)

Sector performance (YTD)



- Sector completely out of favor due to increasing oversupply - Solid rebound lately to yield stocks with near term cash flow visibility (SDRL, AWDR)
- Seadrill's rebound explained by several positive company specific events (Rosneft deal, Pemex deal, Jupiter contract etc.)
- Underperformance in general driven by sentiment, while also company specific events explain Songa's (balance risk), FOE's (SPS cost overruns) and Sevan Drilling's (rig #4) underperformance

Drilling deeper into trouble

INVESTMENT CASE (2/3)

- **UDW oversupply will become more visible in 2H14**
 - New-build deliveries peaking in 2014 and 2015 driving up supply
 - Oil-Co-s turn focus to cash flow and capital returns, projects pushed out in time
 - UDW dayrate est. kept at USD 460k, NCS* dayrate est. lowered to USD 450k (500k)

- **Avoid exposure to older assets, especially in the North Sea**
 - Difference newer- vs. older assets likely to become larger than previously assumed
 - Statoil cuts off older assets in the North Sea (NCS*), risk up for Songa and FOE
 - ODL question mark short term with Deepsea Atlantic option call with Statoil (early Aug)

- **Long term fundamentals intact**
 - Growth in global energy demand, high enough oil price, oil-co capex remaining high++
 - Lower fleet growth after 2015
 - Backlog bridge over the next 18 months is key

* Norwegian Continental Shelf in the North Sea

Sector recommendations remain negative - Targets for FOE, ODL and Songa reduced on weak North Sea outlook

INVESTMENT CASE (3/3)

Recommendations overview

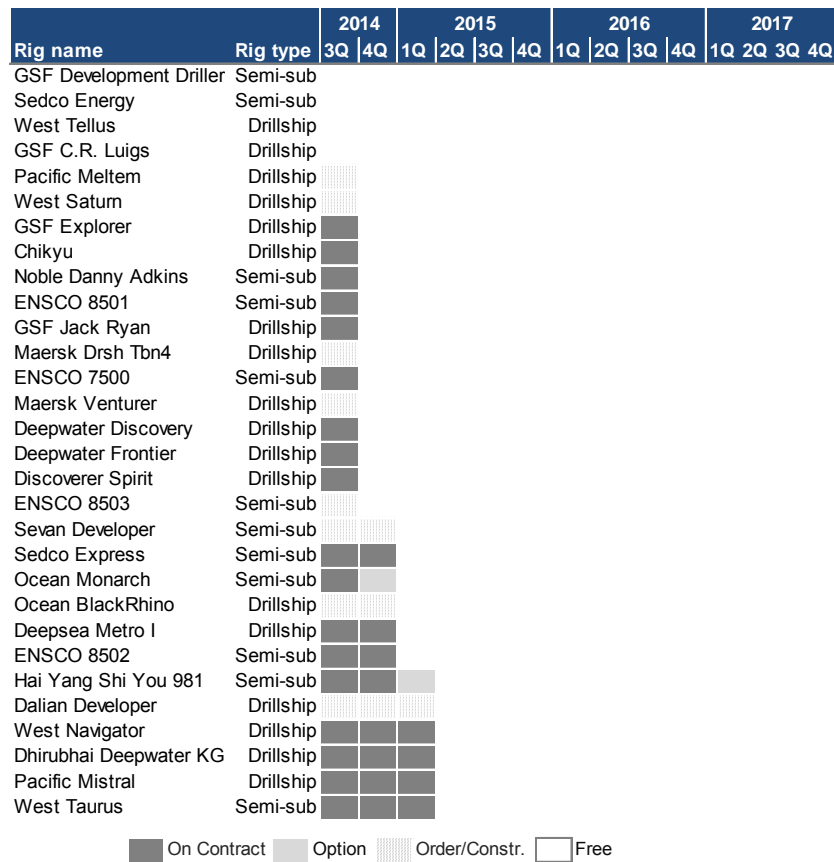
	Equity		Target Cur. price	Share price	Upside to target	Prev. target price	Δ target price	Bonds		Equity story
	Recommendation	Unchanged						Rating	Rec.	
Awilco Drilling	▼ SELL	Unchanged	NOK 110	144	-23.3 %	110	0.0 %	Not rated		USD 1.15 DPS not sustainable. Will be cut 2H15 ahead of SPS-s, medium term market risk. Nice story, but overpriced.
Fred. Olsen Energy	▼ SELL	Unchanged	NOK 140	158	-11.2 %	160	-12.5 %	BBB	SELL	Cost-overrun for Blackford and Borgny warm-stacked. Four more SPS-s. Highly exposed to weakening North Sea market
Ocean Rig	► NEUTRAL	Unchanged	NOK 100	113	-11.1 %	100	0.0 %	B	BUY	Relatively well positioned with modern fleet, but limited upside. Good asset backing to valuation, backlog good
Odfjell Drilling	▲ BUY	Unchanged	NOK 48	33.5	43.3 %	50.0	-4.0 %	n.a.	n.a.	Attractive pricing and modern fleet, but exposed to weak NCS. Atlantic option call in early Aug important milestone
Pacific Drilling	► NEUTRAL	Unchanged	NOK 60	60	0.7 %	60	0.0 %	BB-	SELL	Bora LOI and Meltem contract unresolved. Modern fleet, but stay cautious on short term backlog coverage
Seadrill	► NEUTRAL	Unchanged	NOK 235	236	-0.2 %	235	0.0 %	BBB-	BUY	Back to status quo after cancelled issue of convertible, but with lower confidence. Target yield of 10.2%, short term risk on downside
Sevan Drilling	► NEUTRAL	Unchanged	NOK 3.90	3.12	25.0 %	3.90	0.0 %	n.a.	n.a.	Shares valued NOK 3.40 without delivery of S.Developer. Upside, but unforeseeable risk picture leave shares at Neutral
Songa Offshore	► NEUTRAL	Unchanged	NOK 2.40	2.61	-8.0 %	2.50	-4.0 %	B	BUY	Target down on NCS outlook. Risk still high with financial commitments for Venus, Songa Dee yardstay, Cat D delivery

RIG SECTOR – 2Q14 PREVIEW

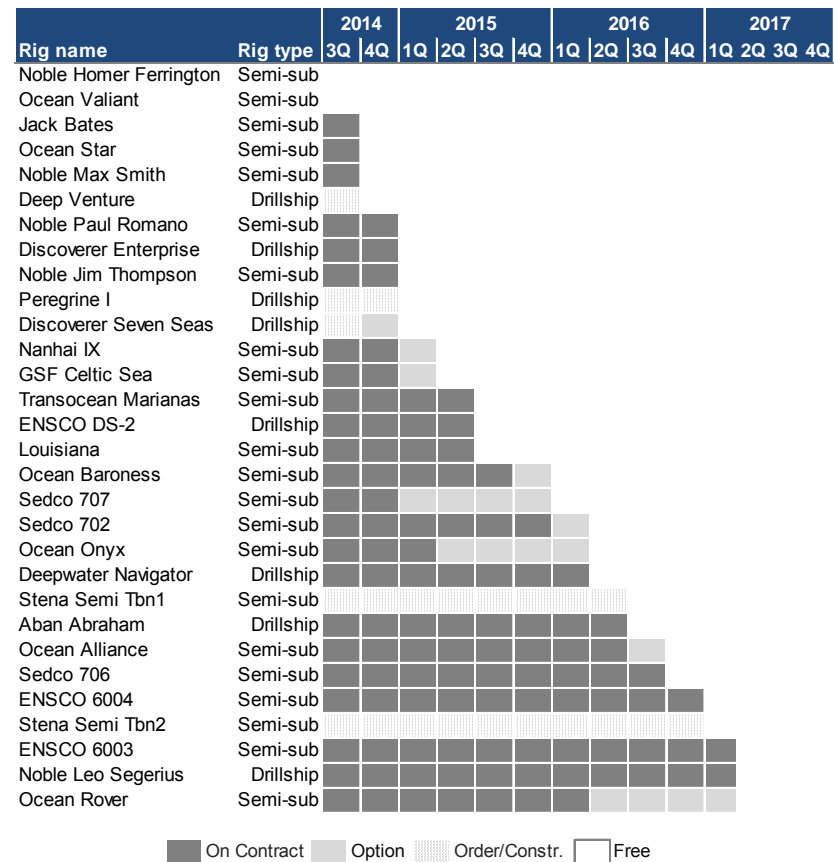
Oversupply in UDW segment to materialize in 2H14, > 50 units in the UDW segment to be contracted next 18 months

GLOBAL FLOATER SUPPLY

Contract Status: >= 7,500ft



Contract Status: 5,001-7,499ft

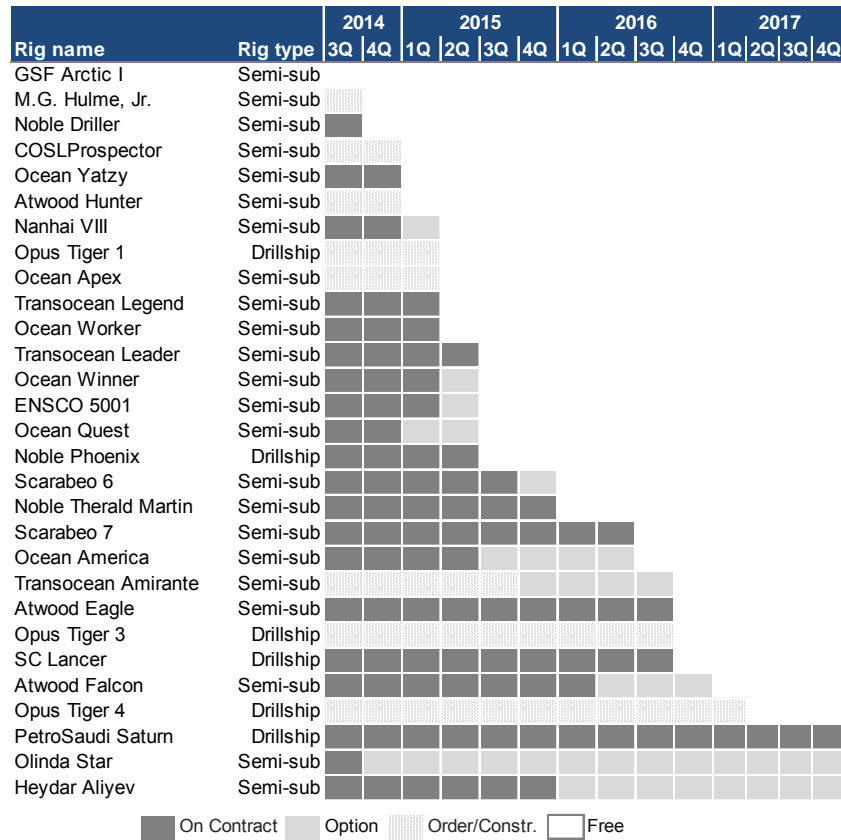


RIG SECTOR - 2Q14 PREVIEW

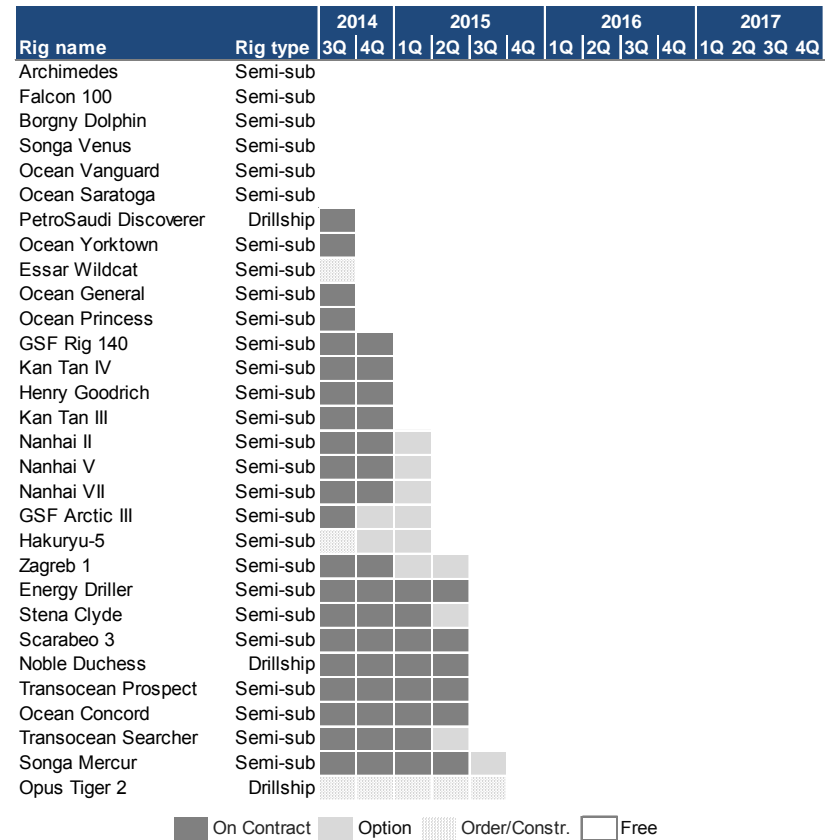
... And weakness is “pushed” through the lower segments

GLOBAL FLOATER SUPPLY

Contract Status: 3,001-5,000ft



Contract Status: ≤3,000ft



RIG SECTOR – 2Q14 PREVIEW

Statoil is cleaning up its fleet, Scarabeo 5 put on hold and Ocean Vanguard cancelled -> Songa and FOE particularly at risk

NCS

Statoil NCS fleet overview

Statoil			
Rig Name	Rig Manager	Country	Rig Age
Bideford Dolphin	Fred. Olsen Energy	Norway	39
Songa Trym	Songa Offshore	Norway	38
Songa Delta	Songa Offshore	Norway	34
Deepsea Bergen	Odfjell Drilling	Norway	31
Songa Dee	Songa Offshore	Norway	30
Transocean Leader	Transocean	Norway	27
Scarabeo 5	Saipem	Norway	24
West Venture	North Atlantic Drilling	Norway	14
Stena Don	Stena	Norway	13
West Hercules	North Atlantic Drilling	Faeroe Islands	6
Deepsea Atlantic	Odfjell Drilling	Norway	5
COSLPioneer	COSL	Norway	4
Transocean Spitsbergen	Transocean	Norway	4
COSLInnovator	COSL	Norway	3
COSLPromoter	COSL	Norway	2
Average			18
Median			14

- Mixed for ODL - positive if move is sign of fleet renewal given Atlantic option due in early August...

Other NCS fleet overview

Other Operators			
Rig Name	Rig Manager	Country	Rig Age
Bredford Dolphin	Fred. Olsen Energy	Norway	34
Transocean Searcher	Transocean	Norway	31
Transocean Winner	Transocean	Norway	31
Transocean Arctic	Transocean	Norway	28
West Alpha	North Atlantic Drilling	Norway	28
Borgland Dolphin	Fred. Olsen Energy	Norway	15
West Navigator	North Atlantic Drilling	Norway	14
Leiv Eiriksson	Ocean Rig	Norway	13
Transocean Barents	Transocean	Norway	5
Island Innovator	Odfjell Drilling	Norway	2
Scarabeo 8	Saipem	Norway	2
Average			18
Median			15

- ... negative for ODL if Statoil has «stopped» contracting rigs and Atlantic option is not called. Still negative with Deepsea Bergen

Source: Fondsinans Research / ODS Petrodata

... And the UK fleet sees an even higher fleet age

UKCS

UKCS fleet overview

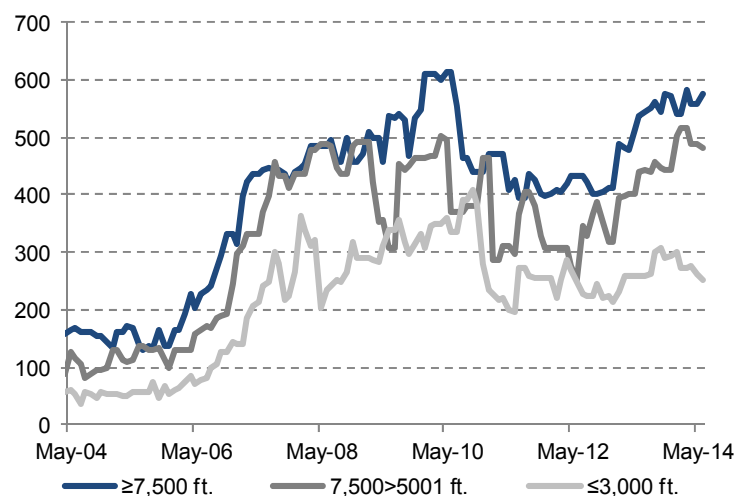
Rig Name	Other Operators		Rig Age
	Rig Manager	Country	
Blackford Dolphin	Fred. Olsen Energy	UK	40
Byford Dolphin	Fred. Olsen Energy	UK	40
Sedco 704	Transocean	UK	40
Ocean Nomad	Diamond Offshore	UK	39
Ocean Princess	Diamond Offshore	UK	39
Noble Ton van Langeveld	Noble	UK	35
Ocean Vanguard	Diamond Offshore	UK	32
Sedco 711	Transocean	UK	32
Transocean John Shaw	Transocean	UK	32
WilPhoenix	Awilco Drilling	UK	32
Ocean Patriot	Diamond Offshore	UK	31
Sedco 712	Transocean	UK	31
Sedco 714	Transocean	UK	31
Stena Spey	Stena	UK	31
Transocean Prospect	Transocean	UK	31
WilHunter	Awilco Drilling	UK	31
GSF Arctic III	Transocean	UK	30
Paul B. Loyd, Jr.	Transocean	UK	27
West Phoenix	North Atlantic Drilling	UK	6
Average			32
Median			32

- FOE owns the two oldest operating units in the UK, as they do in Norway
 - Recent cost overrun for the Blackford SPS yardstay and potential cancellation of the Capricorn contract highlights the risk with the old assets!
- UK fleet in general almost twice as old as the Norwegian
- Transocean and Diamond highly vulnerable to renewal of the UK fleet

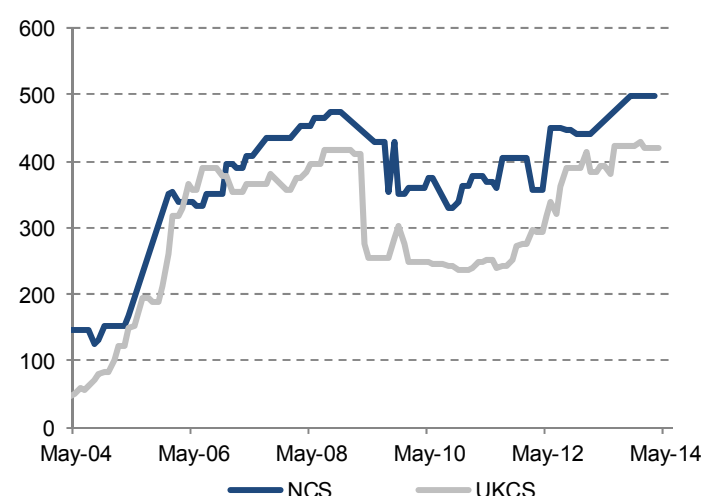
UDW kept at USD 460k, NCS cut to USD 450k from 500k on the back of Statoil's aggressive cost reduction strategy

FLOATER DAYRATE ASSUMPTIONS

Global floater dayrates (USDk/day)



North Sea: NCS and UKCS (USDk/day)



Dayrates (USDk)	Base assumptions*			2014E				2015E				2016E				2017E			
	Water depth	Curr.	Prev.	Δ (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
≥ 7,500ft	460	460	0.0 %	460	460	460	460	467	467	467	467	474	474	474	474	481	481	481	481
5,001ft - 7,499ft	380	380	0.0 %	380	380	380	380	386	386	386	386	391	391	391	391	397	397	397	397
3,001ft - 4,999ft	340	340	0.0 %	340	340	340	340	345	345	345	345	350	350	350	350	356	356	356	356
≤ 3,000ft	220	220	0.0 %	220	220	220	220	223	223	223	223	227	227	227	227	230	230	230	230
UKCS	370	370	0.0 %	370	370	370	370	376	376	376	376	381	381	381	381	387	387	387	387
NCS	450	500	-10.0 %	450	450	450	450	457	457	457	457	464	464	464	464	471	471	471	471
HE / Arctic **	500	500	0.0 %	500	500	500	500	508	508	508	508	515	515	515	515	523	523	523	523

Source: ODS Petrodata / Fondsinans Research. * May be subject company specific- / unit specific adjustments, ** Exclusive of NCS / UKCS

RIG SECTOR – 2Q14 PREVIEW

Few fixtures during first months of 2014, but some data points lately

LATEST FLOATER FIXTURES

Operator	Rig name	Manager	Market category	Water depth (ft)	Country	Contract start	Contract end	Dayrate (USD/day)	Fixture date	Type
CNOOC	Atwood Hunter	Atwood	Semi 3001-5000	5000	Equatorial Guinea	15-aug-2014	13-nov-2014	337,000	19-jun-2014	New mutual
LLOG	ENSCO 8503	Ensco	Semi >7500	8500	USA	1-jul-2014	1-aug-2014	375,000	17-jun-2014	New mutual
Total	ENSCO DS-8	Ensco	Drillship >7500	10000	Angola	22-aug-2015	22-aug-2020	618,000	18-jun-2014	New mutual
Freeport-McMoRan Oil & Gas	Rowan Relentless	Rowan	Drillship >7500	12000	US GOM	1-jul-2015	1-jul-2017	530,000	6-jun-2014	New mutual
Noble Energy	Eirik Raude	Ocean Rig	Semi >7500	10000	Falkland Islands	1-mai-2015	16-jan-2016	520,000	4-jun-2014	New mutual
Total	West Jupiter	Seadrill	Drillship >7500	12000	Nigeria	1-jan-2015	31-des-2019	600,000	2-jun-2014	New mutual
Petrobras	Brava Star	Queiroz Galvao	Drillship >7500	12000	Brazil	31-mar-2015	31-mar-2018	530,000	26-mai-2014	New mutual
BP	Deepsea Stavanger	Odfjell Drilling	Semi >7500	10000	Angola	1-nov-2014	1-des-2015	531,645	20-mai-2014	New mutual
Petrobras	Dhirubhai Deepwater KG	Transocean	Drillship >7500	12000	Brazil	1-jan-2015	31-des-2017	440,000	15-mai-2014	New mutual
PTTEP	ENSCO 5005	Ensco	Semi <=3000	1500	Myanmar	10-jul-2014	25-jun-2015	230,000	16-mai-2014	New mutual
PEMEX	Ocean Lexington	Diamond Offshore	Semi <=3000	2500	Mexico	30-sep-2014	1-jan-2018	160,850	16-mai-2014	New mutual
Lukoil	GSF Development Driller	Transocean	Semi 5001-7500	7500	Romania	30-aug-2014	30-aug-2015	360,000	8-mai-2014	New mutual
BP	Paul B. Loyd, Jr.	Transocean	Semi Harsh High Spec	2000	UK	10-apr-2015	15-jun-2017	430,000	8-mai-2014	New mutual
Apache	Atwood Falcon	Atwood	Semi 3001-5000	5000	Australia	30-nov-2014	8-feb-2015	385,000	5-mai-2014	New mutual
BHP Billiton	Atwood Falcon	Atwood	Semi 3001-5000	5000	Australia	10-apr-2015	5-mar-2016	430,000	1-mai-2014	New mutual
Ithaca Energy	Ocean Princess	Diamond Offshore	Semi Harsh Standard	1500	UK	15-jul-2014	14-aug-2014	345,000	1-mai-2014	New mutual
PVEP	Ocean Quest	Diamond Offshore	Semi 3001-5000	3500	Vietnam	9-mai-2014	20-des-2014	198,900	23-apr-2014	New mutual
OMV	Transocean Arctic	Transocean	Semi Harsh High Spec	1640	Norway	1-aug-2015	1-jan-2016	519,000	18-apr-2014	New mutual
Deep Gulf Energy	ENSCO 8505	Ensco	Semi >7500	8500	USA	15-des-2014	14-jun-2015	375,000	16-apr-2014	New mutual
PetroSA	Transocean Marianas	Transocean	Semi 5001-7500	7000	South Africa	30-mai-2014	26-mar-2015	370,000	8-apr-2014	New mutual
Total	Ocean Monarch	Diamond Offshore	Semi >7500	10000	Indonesia	10-jun-2014	9-aug-2014	420,000	1-apr-2014	New mutual
BP	Ocean Victory	Diamond Offshore	Semi 5001-7500	5500	Trinidad and Tobago	1-apr-2015	1-apr-2017	398,000	18-mar-2014	New mutual
Operator Tba	Discoverer Seven Seas	Transocean	Drillship 5001-7500	6500	Vietnam	20-jul-2014	20-sep-2014	400,000	19-feb-2014	New mutual
Murphy	Ocean Confidence	Diamond Offshore	Semi >7500	10000	Cameroon	10-feb-2014	21-apr-2014	550,000	22-jan-2014	New mutual
Chevron	GSF Arctic III	Transocean	Semi Harsh Standard	1800	UK	5-mai-2014	1-okt-2014	410,000	17-jan-2014	New mutual
ConocoPhillips	ENSCO DS-9	Ensco	Drillship >7500	10000	USA	1-jul-2015	1-jul-2018	550,000	16-jan-2014	New mutual
BHP Billiton	GSF C.R. Luigs	Transocean	Drillship >7500	10000	USA	1-feb-2014	20-jun-2014	580,000	16-jan-2014	New mutual
Daewoo Intl	Doo Sung	KNOC	Semi <=3000	1500	South Korea	8-nov-2014	18-des-2014	Private	9-jan-2014	New mutual
Murphy	Atwood Falcon	Atwood	Semi 3001-5000	5000	Australia	8-feb-2015	10-apr-2015	499,500	3-jan-2014	New mutual
Chevron	Blackford Dolphin	Dolphin	Semi Harsh Standard	6000	UK	20-aug-2015	14-mar-2017	428,000	19-des-2013	New mutual
CNR International	Cajun Express	Transocean	Semi >7500	8500	Cote d'Ivoire	15-nov-2014	14-nov-2015	495,000	18-des-2013	New mutual
Shell	Deepwater Discovery	Transocean	Drillship >7500	10000	Nigeria	10-jan-2014	9-sep-2014	461,000	18-des-2013	New mutual
CAMAC	Energy Searcher	Jet Drilling	Drillship <=3000	1200	Nigeria	15-jun-2014	20-apr-2015	273,973	9-des-2013	New mutual
Shell	Noble Discoverer	Noble	Drillship <=3000	1000	USA	28-feb-2014	31-des-2016	363,100	4-des-2013	New mutual
BP	Discoverer Enterprise	Transocean	Drillship 5001-7500	7000	USA	31-jan-2014	28-okt-2014	615,000	7-nov-2013	New mutual
ExxonMobil	Ocean Apex	Diamond Offshore	Semi 3001-5000	5000	Vietnam	30-nov-2014	15-jan-2015	485,000	24-okt-2013	New mutual
LLOG	Ocean Saratoga	Diamond Offshore	Semi <=3000	2200	USA	10-des-2013	27-apr-2014	300,000	23-okt-2013	New mutual
Mubadala Petroleum	Songa Mercur	Songa-Opus JV	Semi <=3000	1200	Vietnam	1-jun-2014	9-nov-2014	260,000	18-okt-2013	New mutual
Talos Energy	ENSCO 8502	Ensco	Semi >7500	8500	USA	30-jun-2014	1-nov-2014	530,000	17-okt-2013	New mutual
Marathon	ENSCO 8503	Ensco	Semi >7500	8500	USA	5-apr-2014	7-jun-2014	495,000	17-okt-2013	New mutual

UDW comments:

First clean UDW fixtures?

Africa LOIs and Petrobras but no "clean" fixtures

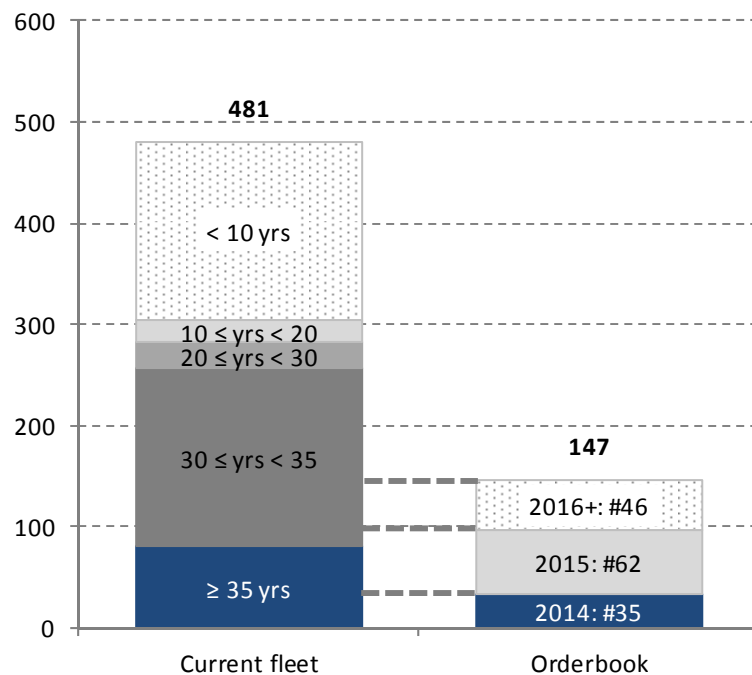
"Dead"-period for high-spec UDW fixtures

Delayed "2013" fixtures

Speculative new-builds increases risk for oversupply in the medium term

JACK-UP MARKET

Global fleet- and replacement overview



- Positive development recently with dayrates improving and contract lengths increasing, driven by newer assets
- Old global fleet with ~50% of all assets at ≥ 30 years has triggered a wave of speculative new-builds with “wall” of deliveries in 2015 and 2016(+)
- With more than 60 new-builds entering the market in 2015 scrapping is needed to keep market balance intact -> Increased risk for oversupply medium term

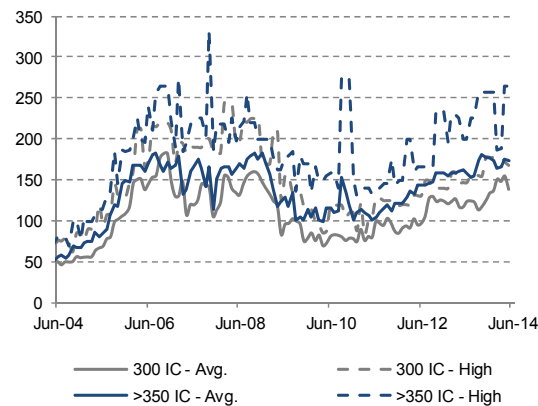
Source: ODS Petrodata, Fondsinans Research

RIG SECTOR – 2Q14 PREVIEW

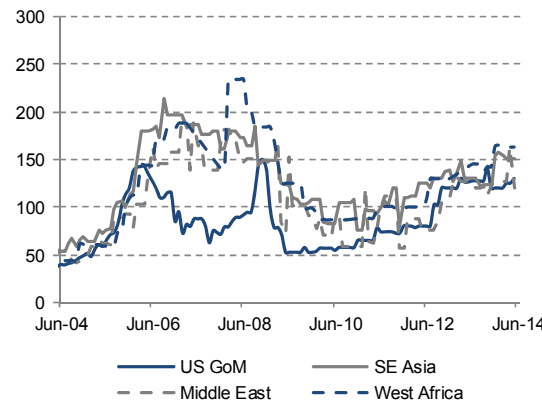
Strong data points lately with recent Seadrill contracts give support to current market balance for now

JACK-UP MARKET ASSUMPTIONS

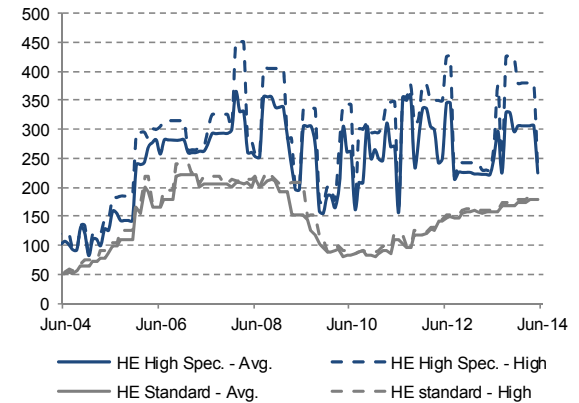
Rig class (USDk/day)



Region (USDk/day), 300 IC



Harsh Env. (USDk/day)



Dayrates (USDk)	Base assumptions*			2014E				2015E				2016E				2017E				
	Water depth	Curr.	Prev.	Δ (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
> 10 years																				
300 IC	128	128	0.0 %	128	128	128	128	129	129	129	129	131	131	131	131	133	133	133	133	
≥ 350 IC	136	136	0.0 %	136	136	136	136	138	138	138	138	140	140	140	140	142	142	142	142	
≤ 10 years																				
300 IC	150	150	0.0 %	150	150	150	150	152	152	152	152	155	155	155	155	157	157	157	157	
≥ 350 IC	160	160	0.0 %	160	160	160	160	162	162	162	162	165	165	165	165	167	167	167	167	
Harsh Env. (HE)																				
HE standard (UK)	200	200	0.0 %	200	200	200	200	203	203	203	203	206	206	206	206	209	209	209	209	
HE high spec. (NCS)	300	300	0.0 %	300	300	300	300	305	305	305	305	309	309	309	309	314	314	314	314	

Source: ODS Petrodata / Fondsinans Research. * May be subject company specific- / unit specific adjustments

RIG SECTOR – 2Q14 PREVIEW

New fixture dayrates for high-spec jack-ups stable around USD 160k

LATEST JACK-UP FIXTURES

Operator	Rig name	Manager	Market category	Water depth (ft)	Country	Contract start	Contract end	Dayrate (USD/day)	Fixture date
GUPCO	Comet	Shelf Drilling	JU <250-IC	225	Egypt	10-jun-2014	9-jun-2016	70,000	4-jun-2014
Lundin Petroleum	West Prospero	Seadrill	JU 361-400-IC	400	Malaysia	28-mai-2014	27-mai-2016	155,770	28-mai-2014
Freeport-McMoRan Oil & Gas	Joe Douglas	Rowan	JU 361-400-IC	400	USA	27-mai-2014	25-aug-2014	165,000	27-mai-2014
Chevron	Shelf Drilling JU Tbn1	Shelf Drilling	JU 301-360-IC	350	Thailand	1-jan-2017	31-des-2021	154,000	27-mai-2014
Chevron	Shelf Drilling JU Tbn2	Shelf Drilling	JU 301-360-IC	350	Thailand	1-jul-2017	30-jun-2022	154,000	27-mai-2014
Maersk Oil	Hercules JU Tbn1	Hercules Offshore	JU Harsh High Spec	400	UK	1-jun-2016	31-mai-2021	225,000	21-mai-2014
Petrobel	EI Qaher II	Egyptian Drilling	JU 361-400-IC	375	Egypt	10-mai-2014	10-mai-2015	160,000	5-mai-2014
PEMEX	Ben Loyal	KCA Deutag	JU 300-IC	300	Mexico	2-mai-2014	15-apr-2015	100,000	2-mai-2014
Saudi Aramco	High Island II	Shelf Drilling	JU 250-IC	270	Saudi Arabia	20-okt-2014	19-okt-2019	120,000	2-mai-2014
Saudi Aramco	High Island IV	Shelf Drilling	JU 250-IC	270	Saudi Arabia	30-sep-2014	29-sep-2019	120,000	2-mai-2014
Saudi Aramco	Main Pass I	Shelf Drilling	JU 300-IC	300	Saudi Arabia	1-okt-2014	30-sep-2019	120,000	2-mai-2014
Saudi Aramco	Main Pass IV	Shelf Drilling	JU 300-IC	300	Saudi Arabia	17-okt-2014	16-okt-2019	120,000	2-mai-2014
Petronas Carigali	Perisai Pacific 101	Hercules Offshore	JU 361-400-IC	400	Malaysia	7-jul-2014	6-jul-2017	144,292	24-apr-2014
Pertamina	Rowan Gorilla II	Rowan	JU >400-IC	450	Indonesia	9-mai-2014	18-jul-2014	150,000	24-apr-2014
Gulf Coast Energy Resources	Hercules 253	Hercules Offshore	JU 250-MS	250	USA	31-aug-2014	30-okt-2014	105,000	22-apr-2014
EPL Oil & Gas Inc	Rowan Louisiana	Rowan	JU >300-IS	350	USA	10-apr-2014	2-jun-2014	115,000	10-apr-2014
EPL Oil & Gas Inc	Hercules 209	Hercules Offshore	JU 200-MC	200	USA	7-apr-2014	10-jul-2014	110,000	7-apr-2014
Shebah	Trident VIII	Shelf Drilling	JU 300-IC	300	Nigeria	1-jul-2014	30-jun-2016	168,000	7-apr-2014
Talos Energy	ENSCO 90	Ensco	JU 250-IC	250	USA	4-apr-2014	15-jul-2014	128,000	4-apr-2014
Salamander Energy	Atwood Mako	Atwood	JU 361-400-IC	400	Thailand	1-sep-2014	9-nov-2014	165,000	3-apr-2014
Eni	West Ariel	Seadrill	JU 361-400-IC	400	Congo	21-jun-2014	21-jun-2015	220,547	2-apr-2014
Cabinda Gulf	West Tucana	Seadrill	JU 361-400-IC	400	Angola	20-nov-2014	19-nov-2016	220,000	2-apr-2014
Origin	West Telesto	Seadrill	JU 361-400-IC	400	Australia	1-okt-2014	13-feb-2015	265,000	1-apr-2014
JVPC	West Prospero	Seadrill	JU 361-400-IC	400	Vietnam	16-apr-2014	23-mai-2014	162,500	31-mar-2014
Santos	ENSCO 104	Ensco	JU 361-400-IC	400	Vietnam	15-apr-2014	17-mai-2014	175,000	27-mar-2014
Fieldwood Energy	Hercules 214	Hercules Offshore	JU 200-MC	200	USA	24-mar-2014	9-jun-2014	110,000	24-mar-2014
Castex Energy	Hercules 251	Hercules Offshore	JU 250-MS	250	USA	15-jul-2014	28-sep-2014	103,000	24-mar-2014
Perenco	Hercules Resilience	Hercules Offshore	JU 361-400-IC	400	Congo	14-jun-2014	12-okt-2014	188,000	24-mar-2014
PTTEP	ENSCO 108	Ensco	JU 361-400-IC	400	Thailand	4-apr-2014	4-apr-2017	158,000	20-mar-2014
Talos Energy	ENSCO 75	Ensco	JU 361-400-IC	390	USA	28-mar-2014	1-jun-2014	155,000	19-mar-2014
Premier	ENSCO 100	Ensco	JU Harsh Standard	350	UK	6-jul-2015	5-jul-2018	185,000	19-mar-2014
GoMex Energy	Ocean King	Diamond Offshore	JU 300-IC	300	USA	21-mar-2014	14-jul-2014	130,000	18-mar-2014
Petrofac	J.P. Bussell	Rowan	JU 300-IC	300	Malaysia	5-mar-2014	1-okt-2014	143,000	1-mar-2014
Repsol	West Freedom	Seadrill	JU 301-360-IC	350	Trinidad and Tobago	4-apr-2014	3-jul-2014	187,000	25-feb-2014
Addax	Atwood Aurora	Atwood	JU 301-360-IC	350	Cameroon	25-jul-2015	25-jul-2016	158,000	20-feb-2014
LLOG	Joe Douglas	Rowan	JU 361-400-IC	400	USA	28-feb-2014	27-mai-2014	160,000	20-feb-2014
Carigali Hess	Rowan EXL IV	Rowan	JU 301-360-IC	350	Malaysia	1-des-2014	30-des-2015	159,500	20-feb-2014
ExxonMobil	ENSCO 86	Ensco	JU 250-IC	250	USA	18-feb-2014	1-jul-2014	125,000	18-feb-2014
Hoang Long JOC	Hercules Resilience	Hercules Offshore	JU 361-400-IC	400	Vietnam	10-mar-2014	16-apr-2014	162,000	18-feb-2014
PEMEX	West Courageous	Seadrill	JU 301-360-IC	350	Mexico	7-jul-2014	31-mai-2021	164,000	18-feb-2014
PEMEX	West Defender	Seadrill	JU 301-360-IC	350	Mexico	8-jun-2014	8-jun-2020	164,000	18-feb-2014
PEMEX	West Intrepid	Seadrill	JU 301-360-IC	350	Mexico	31-mai-2014	31-des-2020	164,000	18-feb-2014
PEMEX	West Oberon	Seadrill	JU 361-400-IC	400	Mexico	29-mai-2014	29-mai-2020	164,000	18-feb-2014
PEMEX	West Titania	Seadrill	JU 361-400-IC	400	Mexico	10-aug-2014	10-aug-2020	164,000	18-feb-2014

2Q14 estimates come down on delayed deliveries and operational performance, NCS impact long term estimates

ESTIMATES & CHANGES

Full year estimates

Full year		EBITDA (mill)			Δ EBITDA (%)		
Company	Cur.	2014E	2015E	2016E	2014E	2015E	2016E
Awilco Drilling	USD	185	171	158	0 %	0 %	0 %
Fred. Olsen Energy	NOK	546	730	749	-4 %	0 %	-3 %
Ocean Rig	USD	829	919	940	-3 %	0 %	0 %
Odfjell Drilling	USD	358	487	494	-2 %	0 %	0 %
Pacific Drilling	USD	560	800	816	-2 %	0 %	0 %
Seadrill	USD	3,114	3,185	3,612	-1 %	0 %	0 %
Sevan Drilling	USD	169	311	329	-4 %	0 %	0 %
Songa Offshore	USD	162	250	464	0 %	-1 %	-1 %

2Q14 estimates

2Q14E		EBITDA		EPS		DPS		
Company	Cur.	(mill)	Δ prev.	Δ cons.	Δ prev.	Δ cons.	Δ prev.	Δ cons.
Awilco Drilling	USD	41	1 %	-5 %	0.90	1 % -10 %	1.15	0 % 5 %
Fred. Olsen Energy	NOK	96	-20 %	-1 %	0.2	-61 % -20 %	0.0	n.a. n.a.
Ocean Rig	USD	209	-10 %	8 %	0.53	-15 % 40 %	0.19	0 % 0 %
Odfjell Drilling	USD	89	-6 %	7 %	0.17	-12 % 8 %	0.00	n.a. n.a.
Pacific Drilling	USD	126	-6 %	-2 %	0.19	3 % 0 %	0.00	n.a. n.a.
Seadrill	USD	652	-3 %	-3 %	0.87	-4 % 19 %	1.00	0 % 0 %
Sevan Drilling	USD	34	-17 %	7 %	-0.01	n.m. n.m.	0.00	n.a. n.a.
Songa Offshore	USD	46	0 %	3 %	0.00	0 % n.m.	0.00	n.a. n.a.

Risk short term weighs to the downside - Upside requires fixing of Tellus and visibility on idle 2015 capacity

SEADRILL

NEUTRAL / TARGET NOK 235

12 month target analysis (NOK/share)



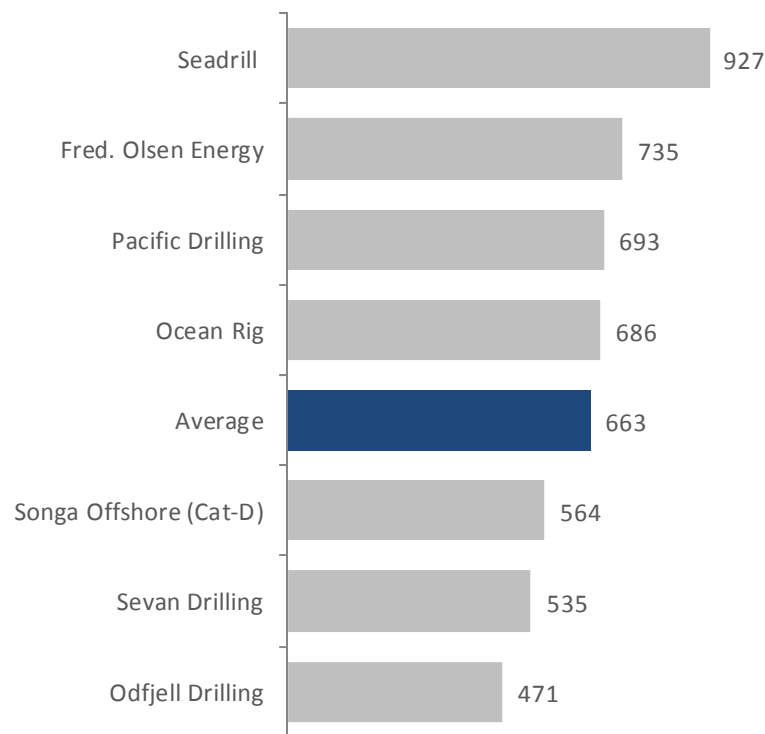
- High case (25%)
 - Early fixtures of idle 2015 capacity
 - Comfort to DPS estimates, market sees through weakness in 2014/2015
 - Target yield of 8.5% at DPS of USD 4
- Base case (40%)
 - Tellus and idle 2015 capacity mostly fixed over next quarters
 - Moderate risk to 2015 estimates
 - Target yield of 10.2% at DPS of USD 4
- Low case (35%)
 - Much of 2015 capacity remains unfixed
 - Increased estimate risk, fear of DPS cut
 - Target yield of 12.6% at DPS of USD 4

RIG SECTOR – 2Q14 PREVIEW

Odfjell Drilling stands out with low pricing combined with modern assets with favorable market exposure

IMPLICIT PRICING

Implicit pricing per UDW asset



- **ODL** has some highly attractive assets with the “Aberdeen class” (HE and UDW), favorable market exposure and is priced as distressed company -> **BUY**
- Increasing cost assumptions for **FOE’s** six yard-stays increase net debt estimates, but is not equally reflected in higher asset values -> Drives up implicit pricing of new UDW assets and make FOE shares look expensive -> **SELL**
- **Seadrill** recent repricing has lifted implicit pricing from USD ~800k to ~950k, still below peak pricing of USD 1,000k+, but richly priced with current weak cycle -> **Downside risk** short term

Norwegian- vs. US drillers

PEER PRICING

Company	FUNDAMENTALS			EV/EBITDA		EV/EBIT		P/E adj.		P/B		ROE		Div. yield	
	Cmcy	M. cap.	EV	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E	2014E	2015E
NORWEGIAN DRILLERS															
Awilco Drilling	USD	702	701	3.8	4.1	4.3	4.5	5.3	5.7	3.4	3.4	64.8 %	59.8 %	19.0 %	14.9 %
Fred Olsen Energy	USD	1,678	2,649	5.0	4.1	10.1	7.2	8.2	5.7	1.1	1.0	14.1 %	18.2 %	10.6 %	10.3 %
North Atlantic Drilling	USD	2,566	4,912	8.4	8.1	12.9	12.8	10.1	10.8	2.5	2.2	n.a.	n.a.	8.9 %	9.1 %
Odfjell Drilling	USD	1,097	2,170	6.2	4.9	10.9	8.3	8.8	6.7	0.9	0.8	10.4 %	12.4 %	1.9 %	3.9 %
Sevan Drilling	USD	292	1,548	9.3	5.6	17.5	8.8	12.0	4.1	0.4	0.4	3.6 %	neg.	0.0 %	0.0 %
Seadrill	USD	17,940	29,842	9.8	8.7	13.0	12.0	12.5	10.8	1.9	1.9	15.5 %	17.7 %	10.3 %	10.4 %
Songa Offshore	USD	379	947	5.6	3.9	42.2	14.0	31.0	28.9	0.2	0.2	0.7 %	0.7 %	0.0 %	0.0 %
Median				6.2	4.9	12.9	8.8	10.1	6.7	1.1	1.0	12.2 %	17.7 %	8.9 %	9.1 %
US DRILLERS															
Transocean Inc	USD	15,855	24,344	6.9	7.2	10.5	11.6	10.4	12.5	0.9	0.9	8.8 %	7.2 %	6.5 %	6.9 %
Diamond Offshore Drilling	USD	6,625	7,524	6.3	5.1	10.7	8.4	13.6	11.0	1.5	1.4	10.8 %	13.0 %	7.3 %	7.1 %
Noble Corp	USD	8,196	14,535	6.1	5.6	10.7	10.2	9.3	8.6	0.9	0.8	9.5 %	9.7 %	4.5 %	5.2 %
EnSCO Plc-Spon Adr	USD	12,585	17,214	7.3	6.8	10.3	9.9	9.6	9.2	0.9	0.9	9.6 %	9.6 %	5.2 %	5.5 %
Rowan Companies Inc	USD	3,913	5,281	7.4	4.9	13.3	7.4	14.0	7.4	0.8	0.7	5.4 %	9.5 %	0.8 %	1.3 %
Atwood Oceanics Inc	USD	3,249	4,702	8.4	5.8	11.5	7.5	10.4	6.9	1.3	1.1	12.3 %	15.6 %	0.0 %	0.0 %
Pacific Drilling	USD	2,024	4,217	7.6	5.4	12.7	8.5	12.5	7.6	0.8	0.8	6.5 %	10.1 %	0.0 %	6.6 %
Ocean Rig	USD	2,415	6,096	7.5	6.6	11.9	10.3	11.3	8.7	0.8	0.7	7.0 %	8.5 %	3.7 %	4.9 %
Median				7.4	5.7	11.1	9.2	10.9	8.6	0.9	0.9	9.1 %	9.7 %	4.1 %	5.4 %

Drilling deeper into trouble

SUMMARY

Equity recommendations

Company	Rating	Upside
Awilco Drilling	▼ SELL	-23.3 %
Fred. Olsen Energy	▼ SELL	-4.9 %
Ocean Rig	► NEUTRAL	-11.1 %
Odfjell Drilling	▲ BUY	43.3 %
Pacific Drilling	► NEUTRAL	0.7 %
Seadrill	► NEUTRAL	-1.3 %
Sevan Drilling	► NEUTRAL	25.0 %
Songa Offshore	► NEUTRAL	-8.0 %

- Weak performance YTD for sector shares on the back of deteriorating market balance
- UDW dayrate assumption kept at USD 460k, NCS lowered to USD 450k from USD 500k on weak outlook, hits Songa, FOE and ODL
- Odfjell Drilling only BUY on attractive implicit market pricing of assets, but risk is up with weak North Sea outlook

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Firm Tender and pre-tenders (≥ 90 days)

GLOBAL FLOATER DEMAND (≥3,000ft)

Operator	Status	Region	Preferred rig type	2014				2015				2016				2017				2018			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CNOOC	Tender	W Africa	Semi-sub																				
Eni	Tender	SE Asia	Drillship																				
ExxonMobil	Tender	W Africa	Drillship																				
Talisman	Tender	SE Asia	Semi-sub																				
Chevron	Tender	SE Asia	Drillship																				
Maersk Oil	Tender	W Africa	Semi-sub																				
ExxonMobil	Tender	W Africa	Semi-sub																				
MDC Oil	Pre-tender	SE Asia	Semi-sub																				
Borders & Southern	Pre-tender	S America	Semi-sub																				
Petrobras	Tender	S America	Semi-sub																				
VietGazprom	Pre-tender	SE Asia	Semi-sub																				
Petronas Carigali	Pre-tender	SE Asia	Drillship																				
Shell	Tender	W Africa	Drillship																				
Total	Tender	W Africa	Drillship																				
Chinnery Assets Limited	Tender	Indian Ocean	Semi-sub																				
Chevron	Tender	SE Asia	Drillship																				
ADTI	Tender	NW Europe	Semi-sub																				
Cobalt Intl	Pre-tender	W Africa	Semi-sub																				
Eni	Tender	W Africa	Drillship																				
Noble Energy	Pre-tender	Med/Black Sea	Semi-sub																				
Eni	Pre-tender	W Africa	Semi-sub																				
ConocoPhillips	Tender	Multiple locations	Drillship																				
Total	Tender	S America	Drillship																				
ExxonMobil	Pre-tender	W Africa	Semi-sub																				
Total	Pre-tender	Med/Black Sea	Semi-sub																				
Total	Tender	W Africa	Drillship																				
Shell	Tender	W Africa	Semi-sub																				
Total	Tender	S America	Drillship																				
Total	Pre-tender	SE Asia	Semi-sub																				
Maersk Oil	Pre-tender	W Africa	Drillship																				
Shell	Tender	W Africa	Drillship																				

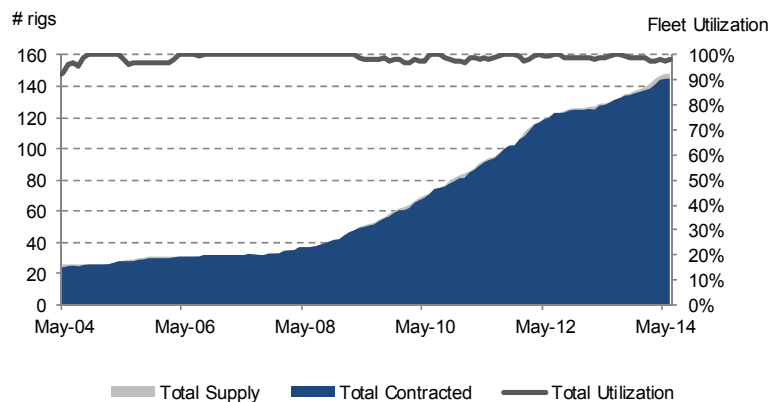
RIG SECTOR – 2Q14 PREVIEW

Source: ODS Petrodata.

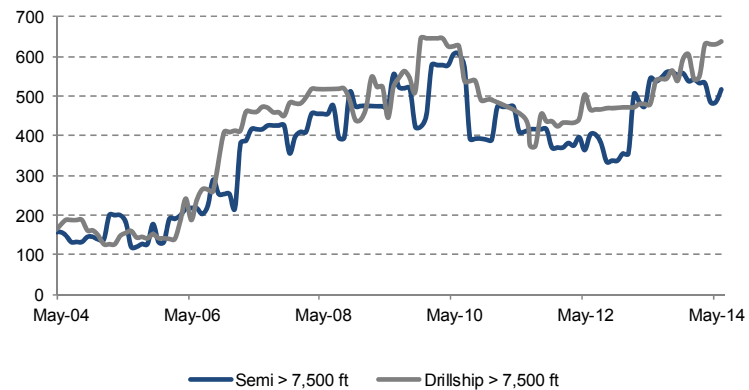
Increasing supply and weakening demand putting pressure on dayrates and utilization

UDW MARKET: GLOBAL

Historic utilization



Dayrates (USD/day)



2014 Supply (Availability)

Rig name	Rig type	2014				2015				2016				
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
GSF Development Driller I	Semi-sub	■												
Sedco Energy	Semi-sub													
West Tellus	Drillship	■	■											
GSF C.R. Luigs	Drillship	■	■	■	■									
Pacific Meltem	Drillship	■	■	■	■									
West Saturn	Drillship	■	■	■	■									
GSF Explorer	Drillship	■	■	■	■									
Chikyu	Drillship	■	■	■	■									
ENSCO 8503	Semi-sub	■	■	■	■									
Noble Danny Adkins	Semi-sub	■	■	■	■									
Ocean Monarch	Semi-sub	■	■	■	■									
ENSCO 8501	Semi-sub	■	■	■	■									
GSF Jack Ryan	Drillship	■	■	■	■									
Maersk Drsh Tbn4	Drillship	■	■	■	■									
ENSCO 7500	Semi-sub	■	■	■	■									

2014 Demand*

Operator	Status	Region	Preferred rig type	2014				2015				2016					
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Equion Energia	Pre-tender	S America	Semi-sub														
ExxonMobil	Tender	W Africa	Drillship	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Chevron	Tender	SE Asia	Drillship	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Maersk Oil	Tender	W Africa	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Talisman	Tender	SE Asia	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Total	Tender	Med/Black Sea	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
ExxonMobil	Tender	W Africa	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
MDC Oil	Pre-tender	SE Asia	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Afen Energy	Pre-tender	Indian Ocean	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Borders & Southern	Pre-tender	S America	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Petrobras	Tender	S America	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
VietGazprom	Pre-tender	SE Asia	Semi-sub	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Vitol Energy	Pre-tender	W Africa	Drillship	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Total	Pre-tender	SE Asia	Drillship	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Eni	Pre-tender	Indian Ocean	Drillship	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Eni	Tender	SE Asia	Drillship	■	■	■	■	■	■	■	■	■	■	■	■	■	■

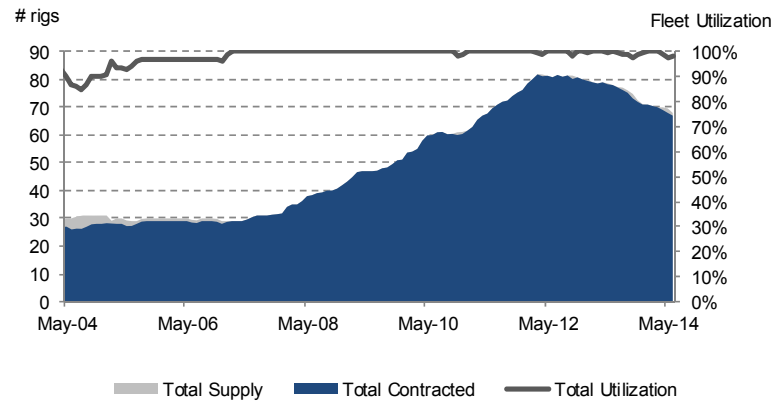
* Firm tenders and pre-tenders

RIG SECTOR – 2Q14 PREVIEW

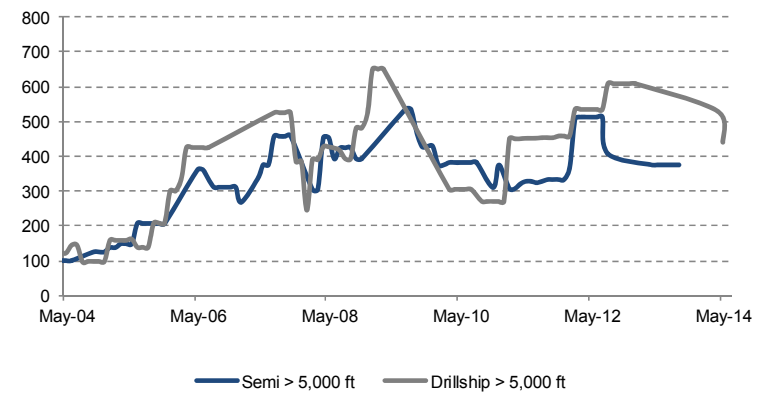
Petrobras with first UDW fixtures in three years is positive sign, contract renegotiations for nine units next year is key

UDW MARKET: BRAZIL

Historic utilization



Dayrates (USD/day)



2014 Supply (Availability)

Rig name	Rig type	2014				2015				2016				
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
ENSCO 7500	Semi-sub													
Pacific Mistral	Drillship													
Ocean Courage	Semi-sub													
West Taurus	Semi-sub													
Gold Star	Semi-sub													
Ocean Rig Mykonos	Drillship													
Ocean Rig Corcovado	Drillship													
Deepsea Metro II	Drillship													
West Eminence	Semi-sub													
Ocean Valor	Semi-sub													
Ocean Clipper	Drillship													
Noble Dave Beard	Semi-sub													
Sevan Driller	Semi-sub													
West Orion	Semi-sub													
Ocean Rig Mylos	Drillship													

2014 Demand*

Operator	Status	Region	Preferred rig type	2014				2015				2016								
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Petrobras	Tender	S America	Semi-sub																	
Total	Tender	S America	Drillship																	

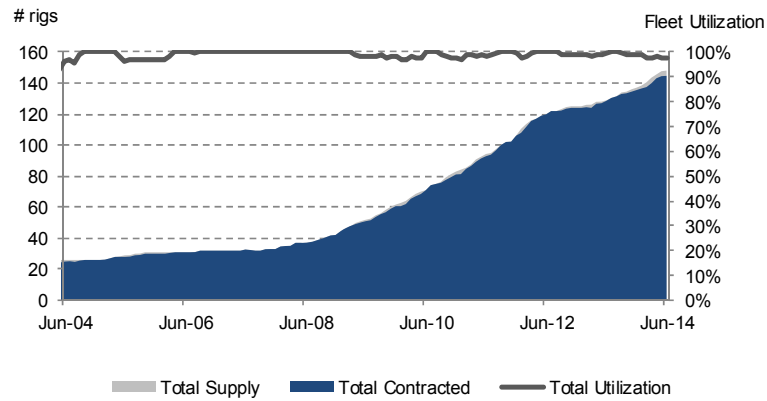
* Firm tenders and pre-tenders

RIG SECTOR - 2Q14 PREVIEW

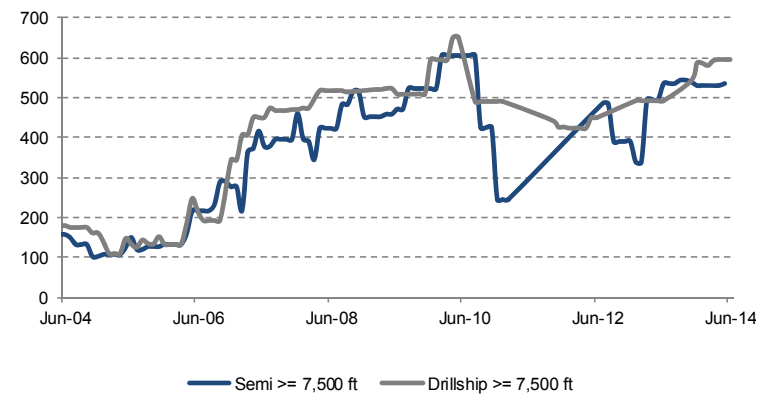
Low visibility on demand, but recent Rowan fixture is positive data point for the medium to long term

UDW MARKET: US GOM

Historic utilization



Dayrates (USD/day)



2014 Supply (Availability)

Rig name	Rig type	2014				2015				2016				
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
GSF Development Driller I	Semi-sub													
GSF C.R. Luigs	Drillship													
ENSCO 8503	Semi-sub													
Noble Danny Adkins	Semi-sub													
ENSCO 8501	Semi-sub													
Discoverer Spirit	Drillship													
ENSCO 8503	Semi-sub													
ENSCO 8502	Semi-sub													
Noble Globetrotter II	Drillship													
Maersk Developer	Semi-sub													
Stena Forth	Drillship													
Deepwater Pathfinder	Drillship													
ENSCO 8505	Semi-sub													
ENSCO 8506	Semi-sub													
Deepwater Pathfinder	Drillship													

2014 Demand*

Operator	Status	Region	Preferred rig type	2014				2015				2016			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q

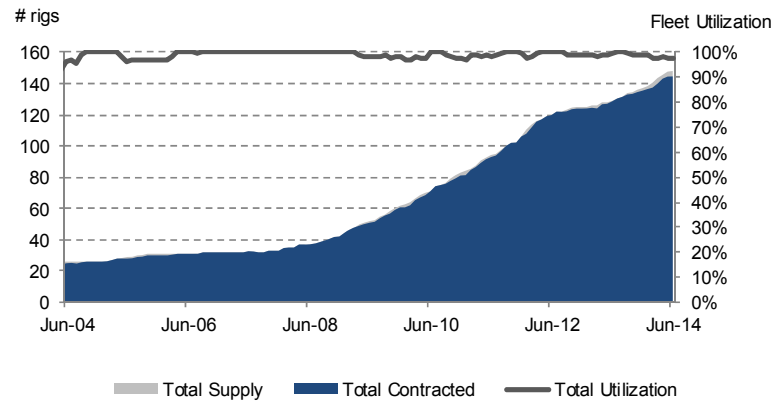
* Firm tenders and pre-tenders

RIG SECTOR - 2Q14 PREVIEW

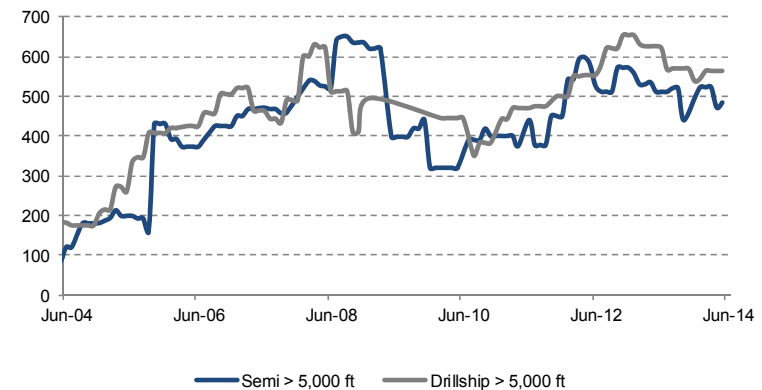
Important driver for UDW demand – political issues have delayed contract processes – “Warm” rigs have advantage!

UDW MARKET: WEST AFRICA

Historic utilization



Dayrates (USD/day)



2014 Supply (Availability)

Rig name	Rig type	2014				2015				2016					
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sedco Energy	Semi-sub														
West Tellus	Drillship														
GSF Jack Ryan	Drillship														
ENSCO 7500	Semi-sub														
Deepwater Discovery	Drillship														
Sedco Express	Semi-sub														
Ocean Rig Skyros	Drillship														
West Eclipse	Semi-sub														
Maersk Deliverer	Semi-sub														
Ocean Rig Olympia	Drillship														
Cajun Express	Semi-sub														
Deepsea Stavanger	Semi-sub														
Cajun Express	Semi-sub														
Pacific Khamsin	Drillship														
Ocean Confidence	Semi-sub														
Ocean Rig Poseidon	Drillship														

2014 Demand*

Operator	Status	Region	Preferred rig type	2014				2015				2016			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
ExxonMobil	Tender	W Africa	Drillship												
Maersk Oil	Tender	W Africa	Semi-sub												
ExxonMobil	Tender	W Africa	Semi-sub												
Vitol Energy	Pre-tender	W Africa	Drillship												
Shell	Tender	W Africa	Drillship												
Soco	Tender	W Africa	Semi-sub												
Cobalt Intl	Pre-tender	W Africa	Semi-sub												
Eni	Tender	W Africa	Drillship												
Yinka Folawiyo	Tender	W Africa	Drillship												
ExxonMobil	Tender	W Africa	Drillship												
Eni	Pre-tender	W Africa	Semi-sub												
ExxonMobil	Pre-tender	W Africa	Semi-sub												
Total	Tender	W Africa	Drillship												
Shell	Tender	W Africa	Semi-sub												
Maersk Oil	Pre-tender	W Africa	Drillship												
Shell	Tender	W Africa	Drillship												

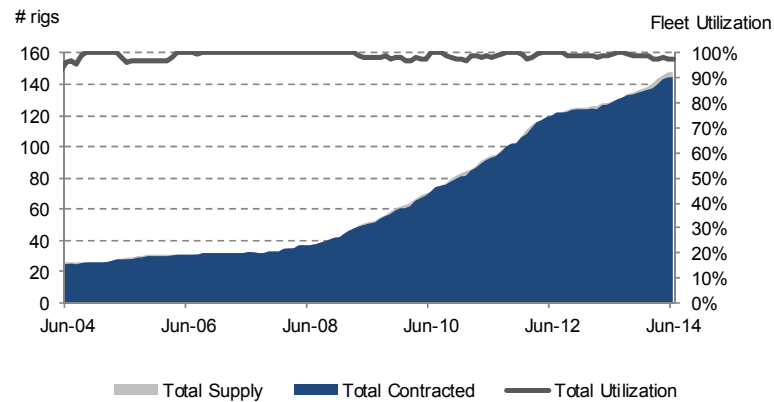
* Firm tenders and pre-tenders

RIG SECTOR – 2Q14 PREVIEW

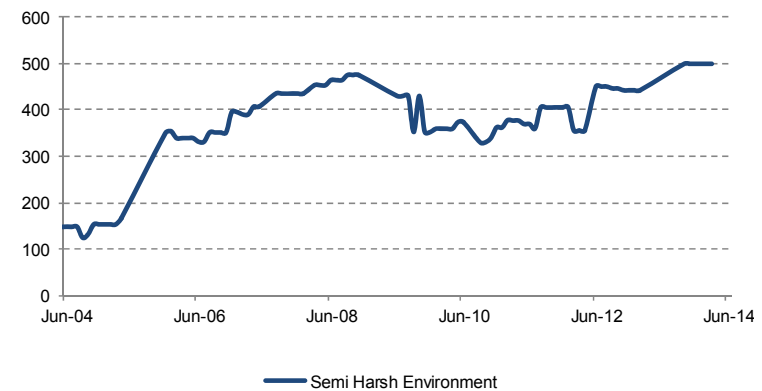
Weaker demand with more cost focused Statoil and changes to oil-co tax, Scarabeo 5/Ocean Vanguard were warnings!

MW FLOATER MARKET: NORWAY

Historic utilization



Dayrates (USD/day)



2014 Supply (Availability)

Rig name	Rig type	2014				2015				2016				
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
West Navigator	Drillship													
Transocean Leader	Semi-sub													
Transocean Searcher	Semi-sub													
Transocean Spitsbergen	Semi-sub													
West Venture	Semi-sub													
Deepsea Atlantic	Semi-sub													
Transocean Barents	Semi-sub													
Island Innovator	Semi-sub													
Bredford Dolphin	Semi-sub													
Transocean Arctic	Semi-sub													
Songa Trym	Semi-sub													
Leiv Eiriksson	Semi-sub													
West Alpha	Semi-sub													
Transocean Winner	Semi-sub													
COSLPioneer	Semi-sub													
Songa Delta	Semi-sub													

2014 Demand*

Operator	Status	Region	Preferred rig type	2014				2015				2016				
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Repsol	Pre-tender	NW Europe	Semi-sub													
Rig Management Noi	Pre-tender	NW Europe	Semi-sub													
Edison	Pre-tender	NW Europe	Jackup													
Wintershall	Tender	NW Europe	Semi-sub													

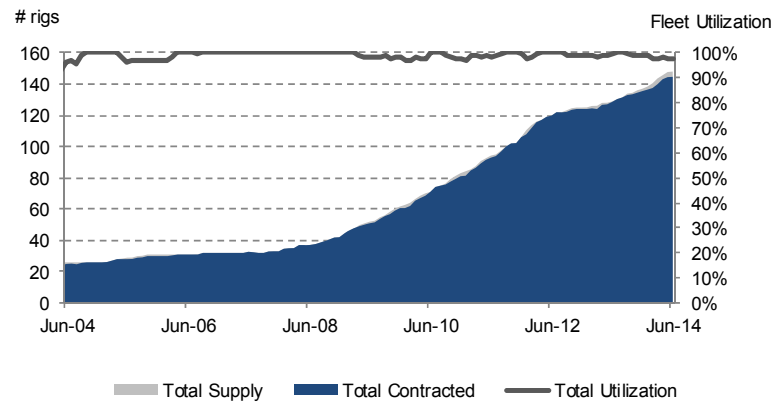
* Firm tenders and pre-tenders

RIG SECTOR - 2Q14 PREVIEW

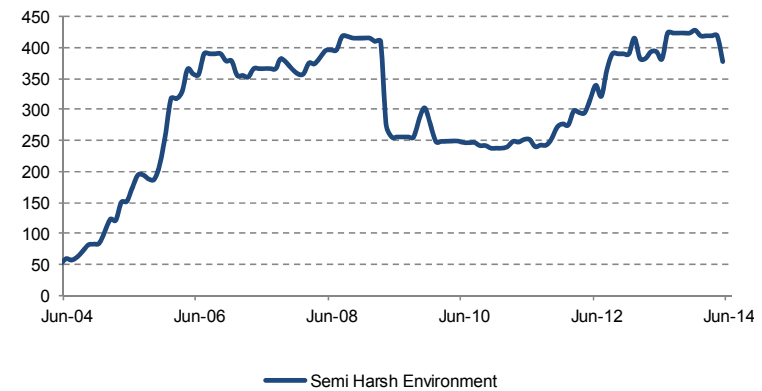
Low visibility on demand and several rigs going off contract weaken medium term outlook

MW FLOATER MARKET: UK

Historic utilization



Dayrates (USD/day)



2014 Supply (Availability)

Rig name	Rig type	2014				2015				2016				
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
J.W. McLean	Semi-sub													
Ocean Vanguard	Semi-sub													
Ocean Princess	Semi-sub													
GSF Arctic III	Semi-sub													
Transocean Prospect	Semi-sub													
Noble Ton van Langeveld	Semi-sub													
Ocean Guardian	Semi-sub													
Ocean Nomad	Semi-sub													
West Phoenix	Semi-sub													
WilHunter	Semi-sub													
Sedco 711	Semi-sub													
Sedco 704	Semi-sub													
Stena Spey	Semi-sub													
Sedco 714	Semi-sub													
Byford Dolphin	Semi-sub													
Transocean John Shaw	Semi-sub													

2014 Demand*

Operator	Status	Region	Preferred rig type	2014				2015				2016					
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
EnQuest	Tender	NW Europe	Semi-sub														
Premier	Pre-tender	NW Europe	Semi-sub														
ADTI	Tender	NW Europe	Semi-sub														

* Firm tenders and pre-tenders

RIG SECTOR - 2Q14 PREVIEW

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As good as it gets, USD 1.15 dividend not sustainable

AWILCO DRILLING – 1Q14 Update

Recommendation: SELL – Target NOK 110

10-Jul-2014 Prepared by Analyst: Ivar Andreas Lemmechen Gjul, Fondsfians AS, tel: +47 23 11 30 24, e-mail: iag@fondsfians.no

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As good as it gets, USD 1.15 dividend not sustainable

AWILCO DRILLING

SELL / TARGET NOK 110

Estimate summary

Key figures (USDm)	2011	2012	2013	2014E	2015E	2016E	Q213	Q214E
Revenues	76	152	237	268	259	247	60	62
EBITDA	23	74	159	185	171	158	39	41
EBIT	8	56	142	167	153	139	34	37
PTP	-3	42	132	157	146	133	32	33
EPS, rep	-0.10	1.28	4.07	4.41	3.97	3.62	0.98	0.90
EPS, adj.	-0.10	1.47	4.02	4.41	3.97	3.62	1.04	0.90
(Op.CF - capex) / share	-1.93	1.81	4.57	4.32	3.08	1.09	1.14	1.31
Dividend per share	0.00	0.00	4.20	4.60	2.00	2.85	1.00	1.15
Dividend yield (%)	0.0 %	0.0 %	20.7 %	19.0 %	8.3 %	11.8 %	22.4 %	19.0 %
Payout ratio (%)	0.0 %	0.0 %	103.2 %	104.2 %	50.3 %	78.7 %	102.3 %	128.3 %
EV/EBITDA	11.4	5.9	4.4	4.5	4.8	5.2		
EV/EBIT	32.4	7.8	5.0	4.9	5.4	5.9		
P/E, adj.	-42.9	7.7	5.0	5.5	6.1	6.7		
P/B	1.0	1.9	2.9	3.6	3.2	2.6		
ROE	na	28 %	63 %	65 %	55 %	43 %		
ROCE	na	19 %	47 %	53 %	47 %	39 %		
NIBD/EBITDA	5.6	1.3	0.3	0.3	0.4	0.5		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2015
Revenues	268	267	259	259	247	247	0 %	0 %	0 %
EBITDA	185	185	171	171	158	158	0 %	0 %	0 %
Operating profit	167	167	153	153	139	139	0 %	0 %	0 %
Pre-tax profit	157	157	146	146	133	133	0 %	0 %	0 %
EPS, rep.	4.41	4.41	3.97	3.97	3.62	3.62	0 %	0 %	0 %
EPS, adj.	4.41	4.40	3.97	3.97	3.62	3.62	0 %	0 %	0 %
DPS	4.60	4.60	2.00	2.00	2.85	2.85	0 %	0 %	0 %

RIG SECTOR – 2Q14 PREVIEW: AWILCO DRILLING

Full year and quarterly estimates

ESTIMATES

P&L	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Revenues	152	237	268	259	247	44	53	53	60	62	61	63	62	75	67	64	69
Revenue growth, YoY (%)	94 %	59 %	13 %	-4 %	-5 %	21 %	31 %	168 %	83 %	41 %	17 %	19 %	4 %	20 %	9 %	2 %	12 %
EBITDA	74	159	185	171	158	24	33	34	39	46	41	44	41	54	46	42	48
EBITDA margin (%)	50 %	68 %	70 %	67 %	65 %	56 %	63 %	65 %	66 %	75 %	67 %	71 %	67 %	73 %	70 %	67 %	70 %
EBIT	56	142	167	153	139	20	28	30	34	42	36	40	37	49	42	38	43
EBIT margin (%)	38 %	61 %	63 %	60 %	57 %	46 %	55 %	56 %	58 %	68 %	59 %	64 %	60 %	67 %	63 %	60 %	63 %
Pre-tax profit	42	132	157	146	133	16	25	27	32	40	34	37	33	49	37	38	39
Pre-tax margin (%)	29 %	57 %	60 %	57 %	55 %	37 %	48 %	52 %	54 %	64 %	56 %	60 %	54 %	67 %	57 %	60 %	58 %
Net profit	38	122	133	119	109	14	23	25	29	37	32	35	27	40	31	31	32
Net margin (%)	25 %	52 %	50 %	46 %	44 %	32 %	43 %	46 %	49 %	59 %	51 %	55 %	43 %	54 %	46 %	48 %	46 %
Balance	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash and cash equivalents	17	52	59	47	11	19	17	40	39	44	52	45	77	64	59	57	53
Other current assets	49	87	95	90	94	40	49	54	62	75	87	103	93	98	95	94	95
Rigs, machinery and equipment	251	245	261	292	364	252	251	249	247	244	245	248	247	262	261	260	259
Other non-current assets	0	3	3	3	3	0	0	1	2	2	3	3	3	3	3	3	3
Total assets	317	388	417	431	472	311	317	343	349	365	388	399	420	427	417	414	411
Short term interest bearing liabilities	17	11	95	95	95	32	17	11	11	11	11	95	95	95	95	95	95
Long-term interest bearing debt	98	87	22	12	2	101	98	95	93	90	87	0	27	27	22	22	17
Other short term liabilities	24	82	96	95	96	24	24	33	42	54	82	94	96	97	96	96	96
Other long term liabilities	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1
Total liabilities	139	180	214	203	194	157	139	140	147	156	180	190	219	219	214	214	209
Equity	177	208	203	228	278	154	177	203	202	209	208	209	201	207	203	200	202
Equity share (%)	56 %	54 %	49 %	53 %	59 %	50 %	56 %	59 %	58 %	57 %	54 %	52 %	48 %	49 %	49 %	48 %	49 %
NIBD	98	46	59	61	86	114	98	66	65	57	46	50	45	58	59	60	59
Cash flow	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash earnings	56	140	150	138	127	19	27	29	34	41	36	39	31	45	35	35	37
Operating cash flow	60	150	163	142	124	21	29	31	36	44	38	42	43	41	38	36	35
Net capex	-5	-13	-34	-49	-91	-1	-2	-3	-2	-2	-6	-7	-4	-19	-4	-4	-4
Free cash flow after investments	54	137	130	93	33	20	27	28	34	42	32	34	39	22	34	33	31
Net debt repayments	-40	-17	19	-10	-10	-9	-18	-8	-3	-3	-3	-3	27	0	-5	0	-5
Equity issue / dividend	0	-93	-137	-95	-59	0	0	0	-30	-30	-33	-33	-35	-35	-35	-35	-30
Free cash flow	14	28	12	-12	-36	11	9	20	2	10	-3	-1	32	-12	-6	-2	-4

Dayrates, opex per day and utilization

ESTIMATES

REVENUES	2012	2013	2014E	2015E	2016E
WilHunter	60	123	130	121	123
WilPhoenix	88	110	132	133	120
Total contract revenues	148	233	262	254	243

OPEX*	2012	2013	2014E	2015E	2016E
WilHunter	-28	-29	-33	-35	-36
WilPhoenix	-28	-29	-33	-35	-36
Total opex	-55	-58	-67	-71	-72

*Operating expenses excluding depreciation and amortization

EBITDA	2012	2013	2014E	2015E	2016E
WilHunter	32	94	97	86	87
WilPhoenix	60	80	99	98	84
EBITDA from rig operations	92	175	196	183	170
Other opex	-18	-15	-11	-12	-12
EBITDA total	74	159	185	171	158

AVERAGE DAYRATES ('000)	2012	2013	2014E	2015E	2016E
WilHunter	257	349	373	385	381
WilPhoenix	253	326	379	388	393
Average dayrates	255	337	376	386	387

AVERAGE OPEX PER DAY ('000)	2012	2013	2014E	2015E	2016E
WilHunter	76	80	91	97	99
WilPhoenix	76	80	91	97	99
Total	76	80	91	97	99

AVERAGE UTILIZATION (%)	2012	2013	2014E	2015E	2016E
WilHunter	60 %	97 %	96 %	86 %	88 %
WilPhoenix	95 %	92 %	96 %	94 %	83 %
Total	78 %	94 %	96 %	90 %	86 %

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
23	26	27	31	33	32	32	32	34	32	32	34
22	25	25	26	28	31	30	29	39	34	32	34
45	51	52	57	61	63	61	61	74	66	63	68

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
-7	-7	-7	-8	-7	-8	-7	-9	-9	-9	-9	-9
-7	-7	-7	-8	-7	-8	-7	-9	-9	-9	-9	-9
-13	-13	-14	-15	-14	-16	-14	-17	-17	-17	-17	-18

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
16	19	20	24	26	24	24	23	26	23	23	25
15	18	18	18	22	23	22	21	31	25	23	25
31	38	38	42	48	47	47	44	56	49	46	51
-7	-5	-4	-3	-2	-6	-3	-3	-3	-3	-4	-3
24	33	34	39	46	41	44	41	54	46	42	48

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
255	300	315	360	360	360	360	360	385	385	385	385
250	290	322	315	315	351	339	329	443	406	388	388
253	295	319	338	338	356	350	345	414	395	386	386

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
73	73	79	83	74	85	80	95	95	95	97	97
73	73	79	83	74	85	80	95	95	95	97	97
73	73	79	83	74	85	80	95	95	95	97	97

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
97 %	94 %	97 %	95 %	100 %	96 %	98 %	98 %	97 %	91 %	91 %	97 %
97 %	94 %	85 %	90 %	98 %	96 %	97 %	98 %	97 %	91 %	91 %	97 %
97 %	94 %	91 %	93 %	99 %	96 %	97 %	98 %	97 %	91 %	91 %	97 %



Target reduced on weaker NCS outlook

FRED. OLSEN ENERGY – 1Q14 UPDATE

Recommendations:

- Equity rating: SELL - Target price: NOK 140 (160)
- Credit rating: SELL – Bond rating: BBB

10-Jul-2014 Prepared by Analyst: Ivar Andreas Lemmechen Gjøl, Fondsfians AS, tel: +47 23 11 30 24, e-mail: iag@fondsfians.no

This report was prepared by an analyst engaged by Fondsfians AS, the Norwegian affiliate of Fondsfians Inc., who is not registered as a research analyst with FINRA or subject to FINRA rules governing research. See page 71 -74 of this report for Important Disclosure Information.

Target reduced on weaker NCS outlook

FRED. OLSEN ENERGY

SELL / TARGET NOK 140 (160)

Estimate summary

Key figures (NOKm)	2012	2013	2014E	2015E	2016E	Q213	Q214E
Revenues	1,181	1,194	1,195	1,320	1,419	307	272
EBITDA	598	585	546	730	749	160	96
EBIT	366	343	286	460	460	99	30
PTP	318	327	222	372	378	98	15
EPS, rep.	4.68	4.46	3.20	5.36	5.44	1.41	0.21
EPS, adj.	4.56	4.65	3.20	5.36	5.44	1.41	0.21
CFPS	0.00	-0.40	-2.45	1.97	0.21	-0.85	-4.66
Dividend per share	3.45	3.33	1.67	2.50	4.17	0.00	0.00
Dividend yield (%)	7.6 %	8.4 %	5.9 %	8.9 %	14.8 %		
Payout ratio	74 %	75 %	52 %	47 %	77 %		
EV/EBITDA	6.1	5.6	4.6	3.4	3.4		
EV/EBIT	10.1	9.6	8.8	5.5	5.5		
P/E	10.0	8.6	8.8	5.3	5.2		
P/B	2.2	1.8	1.3	1.1	1.0		
ROE	44 %	22 %	15 %	23 %	21 %		
ROCE	37 %	17 %	12 %	15 %	14 %		
NIBD/EBITDA	1.1	1.0	2.7	2.3	1.8		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2016
Revenues	1,195	1,218	1,320	1,320	1,419	1,442	-2 %	0 %	-2 %
EBITDA	546	570	730	731	749	773	-4 %	0 %	-3 %
Operating profit	286	310	460	461	460	483	-8 %	0 %	-5 %
Pre-tax profit	222	246	372	373	378	401	-10 %	0 %	-6 %
EPS, rep.	3.20	3.55	5.36	5.38	5.44	5.78	-10 %	0 %	-6 %
EPS, adj.	3.20	3.55	5.36	5.38	5.44	5.78	-10 %	0 %	-6 %
DPS	1.67	1.67	2.50	2.50	4.17	4.17	0 %	0 %	0 %
EBITDA per segment									
Offshore Drilling	524	548	725	727	745	768	-4 %	0 %	-3 %
Engineering & Fabrication	10	10	4	4	5	5	0 %	0 %	0 %
Eliminations	-6	-6	0	0	0	0	0 %	0 %	0 %

■ We have not

Full year and quarterly estimates

ESTIMATES

P&L	2012	2,013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E	Q116E	Q216E
Revenues	1,181	1,194	1,195	1,320	1,419	283	307	307	298	278	272	332	314	305	339	334	342	354	343
Revenue growth, YoY (%)	0 %	1 %	-1 %	11 %	7 %	3 %	1 %	-5 %	4 %	-5 %	-11 %	8 %	4 %	13 %	24 %	1 %	9 %	16 %	1 %
EBITDA	598	585	546	730	749	141	160	168	117	102	96	187	161	165	196	191	178	188	177
EBITDA margin (%)	52 %	51 %	48 %	58 %	55 %	52 %	55 %	57 %	40 %	39 %	37 %	59 %	54 %	56 %	60 %	60 %	54 %	56 %	54 %
EBIT	366	343	286	460	460	79	99	107	57	39	30	121	96	99	130	125	105	116	105
EBIT margin (%)	32 %	30 %	25 %	36 %	34 %	29 %	34 %	37 %	20 %	15 %	11 %	38 %	32 %	34 %	40 %	39 %	32 %	34 %	32 %
Pre-tax profit	318	327	222	372	378	84	98	96	50	25	15	104	79	81	106	101	83	94	83
Pre-tax margin (%)	28 %	29 %	19 %	29 %	28 %	31 %	33 %	33 %	17 %	9 %	6 %	33 %	26 %	28 %	33 %	32 %	25 %	28 %	25 %
Net profit	304	310	214	357	363	79	94	81	44	23	14	100	76	78	102	97	80	90	80
Net margin (%)	26 %	26 %	18 %	27 %	26 %	28 %	31 %	26 %	15 %	8 %	5 %	30 %	24 %	25 %	30 %	29 %	23 %	25 %	23 %
Balance	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E	Q116E	Q216E
Cash and cash equivalents	249	222	59	190	204	240	183	205	222	399	88	218	59	43	52	90	190	293	32
Other current assets	285	324	352	409	457	326	350	323	324	326	311	369	352	369	405	400	409	429	424
Rigs, machinery and equipment	2,279	2,476	3,027	3,477	3,276	2,316	2,338	2,351	2,476	2,596	2,805	2,759	3,027	3,616	3,572	3,528	3,477	3,427	3,377
Other non-current assets	46	43	44	44	44	44	43	44	43	44	44	44	44	44	44	44	44	44	44
Total assets	2,859	3,066	3,482	4,120	3,980	2,926	2,914	2,923	3,066	3,364	3,248	3,391	3,482	4,071	4,073	4,062	4,120	4,194	3,877
Short term interest bearing liabilities	131	131	176	176	176	131	131	131	131	176	176	176	176	176	176	176	176	176	176
Long-term interest bearing debt	754	662	1,349	1,706	1,346	695	783	715	662	1,191	1,343	1,311	1,349	1,872	1,840	1,738	1,706	1,674	1,459
Other short term liabilities	483	711	401	437	461	543	577	568	711	406	349	424	401	390	433	426	437	452	438
Other long term liabilities	124	125	131	131	131	117	113	116	125	131	131	131	131	131	131	131	131	131	131
Total liabilities	1,492	1,629	2,057	2,450	2,114	1,487	1,604	1,530	1,629	1,904	1,999	2,042	2,057	2,569	2,580	2,471	2,450	2,433	2,204
Equity	1,366	1,437	1,424	1,670	1,866	1,438	1,309	1,393	1,437	1,460	1,249	1,349	1,424	1,503	1,493	1,590	1,670	1,760	1,673
Equity share (%)	48 %	47 %	41 %	41 %	47 %	49 %	45 %	48 %	47 %	43 %	38 %	40 %	41 %	37 %	37 %	39 %	41 %	42 %	43 %
NIBD	636	571	1,467	1,693	1,318	587	732	641	571	969	1,431	1,269	1,467	2,005	1,964	1,824	1,693	1,557	1,603
Cash flow	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E	Q116E	Q216E
Cash earnings		539	473	627	652	140	155	141	104	86	80	166	142	144	168	163	152	162	152
Operating cash flow		497	459	606	629	90	131	139	137	102	38	182	137	116	174	162	154	157	143
Net capex		-211	-1,124	-720	-88	-44	-61	-44	-62	-495	-275	-20	-334	-654	-22	-22	-22	-22	-22
Free cash flow after investments		-211	-1,124	-720	-88	-44	-61	-44	-62	-495	-275	-20	-334	-654	-22	-22	-22	-22	-22
Net debt repayments		-76	727	357	-361	-50	95	-70	-50	569	152	-32	38	522	-32	-102	-32	-32	-215
Equity issue / dividend		-226	-226	-111	-167	0	-226	0	0	0	-226	0	0	0	-111	0	0	0	-167
Free cash flow		-27	-163	131	14	-10	-57	22	17	177	-311	130	-159	-16	9	38	100	103	-261

Revenues, opex and EBITDA per rig

ESTIMATES

REVENUES PER SEGMENT	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Offshore Drilling	1,129	1,153	1,113	1,268	1,362	275	298	299	281	267	225	323	298	294	326	324	324
Engineering & Fabrication	68	51	120	52	57	8	9	9	25	48	47	9	16	12	13	10	17
Eliminations	0	-9	-38	0	0	0	0	0	-8	-38	0	0	0	0	0	0	0
Total revenues	1,197	1,194	1,195	1,320	1,419	283	307	307	298	278	272	332	314	305	339	334	342

OPEX PER SEGMENT*	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Offshore Drilling	-521	-560	-589	-543	-617	-135	-138	-129	-158	-181	-133	-137	-138	-130	-131	-134	-148
Engineering & Fabrication	-62	-58	-110	-48	-52	-7	-8	-11	-31	-44	-43	-8	-15	-11	-12	-9	-16
Eliminations	0	9	32	0	0	0	0	0	8	32	0	0	0	0	0	0	0
Total opex	-583	-609	-667	-591	-669	-142	-147	-140	-181	-194	-176	-145	-152	-140	-143	-143	-164

*Operating expenses excluding depreciation and amortization

EBITDA PER SEGMENT	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Offshore Drilling	608	592	524	725	745	140	159	170	123	86	92	186	160	164	195	190	176
Engineering & Fabrication	6	-7	10	4	5	1	1	-2	-6	4	4	1	1	1	1	1	1
Eliminations	0	0	-6	0	0	0	0	0	0	-6	0	0	0	0	0	0	0
Total EBITDA	614	585	528	730	749	141	160	168	117	84	96	187	161	165	196	191	178

EBITDA PER RIG	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Belford Dolphin	113	110	111	85	102	27	28	28	27	28	28	28	28	0	28	28	28
Bideford Dolphin	72	71	75	95	94	18	18	18	18	24	3	24	24	23	24	24	24
Borgland Dolphin	123	119	84	112	64	30	30	30	30	28	28	29	-1	28	28	28	28
Borgny Dolphin	44	43	-14	-15	-15	11	11	11	11	11	-3	-11	-11	-4	-4	-4	-4
Bredford Dolphin	50	66	82	81	70	15	15	15	21	20	21	21	20	20	20	20	20
Byford Dolphin	83	86	66	87	69	20	22	22	22	0	22	22	22	22	22	22	22
Borgsten Dolphin	21	33	40	40	31	2	10	10	10	10	10	10	10	10	10	10	10
Bolette Dolphin	-12	-31	27	101	99	-3	-4	-11	-13	-14	-9	24	26	24	25	26	26
Blackford Dolphin	65	16	32	104	95	16	16	8	-24	-10	-10	26	26	26	26	26	26
Borgholm Dolphin	47	35	39	49	36	1	2	16	16	10	2	12	15	15	15	10	10
Bollsta Dolphin	0	0	0	-16	98	0	0	0	0	0	0	0	0	0	0	-2	-14
EBITDA rigs	608	548	542	723	742	137	148	146	118	105	92	186	160	164	194	189	176
Net reimbursables	2	2	2	2	3	0	0	1	1	1	0	1	1	1	1	1	1
EBITDA (Offshore Drilling)	610	550	544	725	745	137	148	147	118	106	92	186	160	164	195	190	176

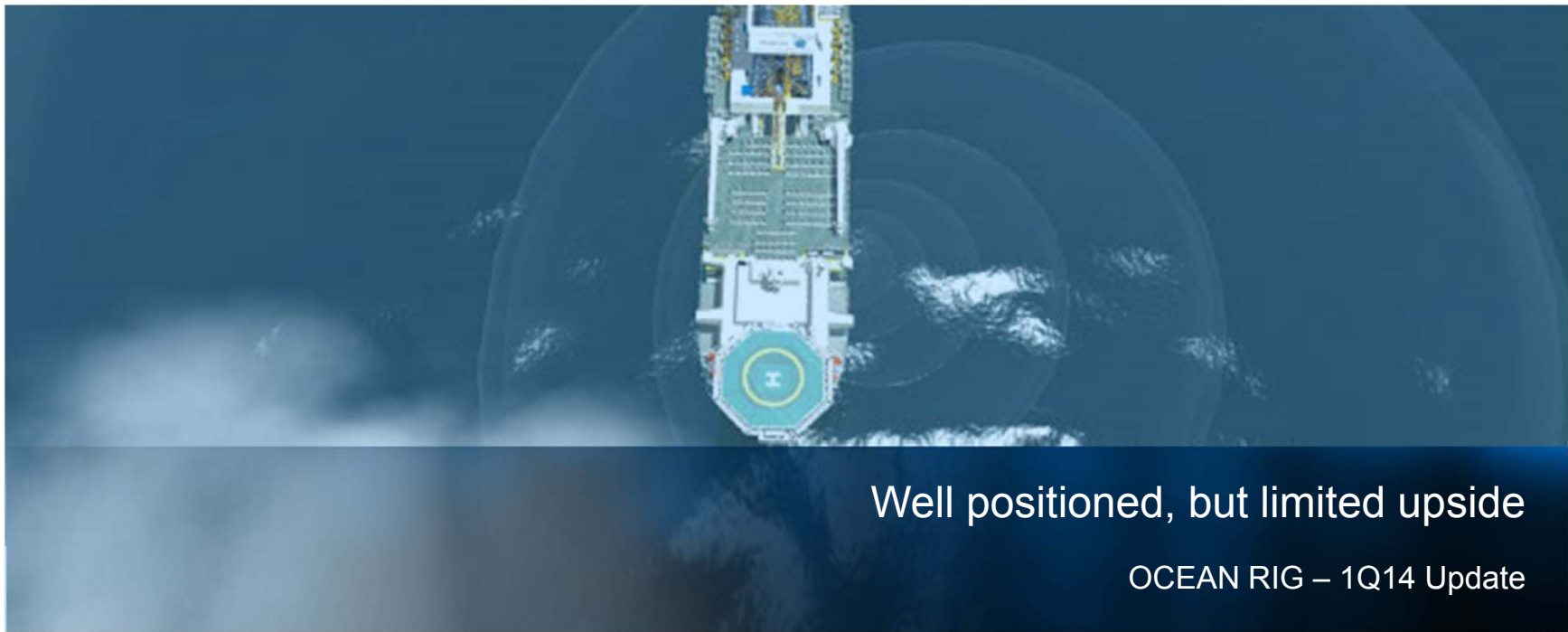
Dayrates, opex per day and utilization per rig

ESTIMATES

AVG DAYRATES (\$'000)	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Belford Dolphin	480	480	487	495	474	480	480	480	480	487	487	487	487	495	495	495	495
Bideford Dolphin	396	388	466	466	466	392	390	385	385	466	466	466	466	466	466	466	466
Borgland Dolphin	531	533	523	523	391	538	535	530	530	523	523	523	523	523	523	523	523
Borgny Dolphin	242	244	123	0	0	243	243	243	247	247	247	0	0	0	0	0	0
Bredford Dolphin	362	385	436	436	414	372	369	364	436	436	436	436	436	436	436	436	436
Byford Dolphin	326	340	346	346	344	328	340	346	346	346	346	346	346	346	346	346	346
Borgsten Dolphin	222	202	202	202	201	202	202	202	202	202	202	202	202	202	202	202	202
Bolette Dolphin	0	0	366	488	488	0	0	0	0	0	488	488	488	488	488	488	488
Blackford Dolphin	353	270	436	427	404	355	362	365	0	419	467	428	428	428	427	427	427
Borgholm Dolphin	204	229	242	211	181	204	229	242	242	242	242	242	242	242	242	180	180
Bollsta Dolphin	0	0	0	140	560	0	0	0	0	0	0	0	0	0	0	0	560
Average dayrates	346	341	363	373	392	346	350	351	358	374	390	402	402	403	403	396	412

AVG OPEX PER DAY (\$'000)	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Belford Dolphin	151	154	158	162	167	153	153	153	158	157	157	157	162	161	161	161	166
Bideford Dolphin	174	175	179	182	186	175	175	175	175	179	179	179	179	182	182	182	182
Borgland Dolphin	172	180	185	189	194	180	180	180	180	185	185	185	185	189	189	189	189
Borgny Dolphin	111	114	116	40	41	113	113	113	118	115	115	115	120	40	40	40	40
Bredford Dolphin	181	184	189	193	198	183	183	183	188	187	187	187	192	192	192	192	197
Byford Dolphin	85	87	88	89	91	85	85	85	91	86	86	86	93	88	88	88	94
Borgsten Dolphin	79	80	81	82	84	80	80	80	80	81	81	81	81	82	82	82	82
Bolette Dolphin	33	84	179	187	192	30	45	120	140	160	195	180	180	195	185	185	185
Blackford Dolphin	155	185	115	118	121	160	160	160	260	115	115	115	115	118	118	118	118
Borgholm Dolphin	53	51	55	56	57	45	50	55	55	55	55	55	55	56	56	56	56
Bollsta Dolphin	0	0	0	43	200	0	0	0	0	0	0	0	0	0	0	20	150
Total	119	129	134	122	139	120	122	130	145	132	135	134	136	130	129	119	133

AVERAGE UTILIZATION (%)	2012	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Belford Dolphin	96 %	95 %	95 %	80 %	94 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	33 %	95 %	95 %	95 %
Bideford Dolphin	94 %	95 %	83 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	45 %	95 %	95 %	95 %	95 %	95 %	95 %
Borgland Dolphin	96 %	95 %	80 %	95 %	94 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	33 %	95 %	95 %	95 %	95 %
Borgny Dolphin	95 %	95 %	32 %	0 %	0 %	95 %	95 %	95 %	95 %	95 %	33 %	0 %	0 %	0 %	0 %	0 %	0 %
Bredford Dolphin	88 %	95 %	95 %	95 %	94 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %
Byford Dolphin	96 %	95 %	78 %	95 %	81 %	95 %	95 %	95 %	95 %	25 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %
Borgsten Dolphin	62 %	84 %	95 %	95 %	83 %	50 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %	95 %
Bolette Dolphin	0 %	0 %	51 %	95 %	95 %	0 %	0 %	0 %	0 %	0 %	20 %	90 %	95 %	95 %	95 %	95 %	95 %
Blackford Dolphin	94 %	64 %	47 %	94 %	94 %	94 %	94 %	67 %	0 %	0 %	0 %	94 %	94 %	94 %	94 %	94 %	94 %
Borgholm Dolphin	90 %	62 %	66 %	90 %	85 %	25 %	33 %	95 %	95 %	67 %	33 %	75 %	90 %	90 %	90 %	90 %	90 %
Bollsta Dolphin	0 %	0 %	0 %	0 %	83 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Total	90 %	87 %	72 %	93 %	90 %	82 %	88 %	92 %	95 %	83 %	67 %	92 %	87 %	87 %	94 %	94 %	94 %



Well positioned, but limited upside

OCEAN RIG – 1Q14 Update

Recommendations:

- Equity rating: NEUTRAL–Target price: NOK 100 / USD 17.0
- Credit rating: BUY – Bond rating: B

10-Jul-2014 Prepared by Analyst: Ivar Andreas Lemmechen Gjøl, Fondsfians AS, tel: +47 23 11 30 24, e-mail: iag@fondsfians.no

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Well positioned, but limited upside

OCEAN RIG

NEUTRAL / TARGET NOK 100

Estimate summary

Key figures (USDm)	2011	2012	2013E	2014E	2015E	2016E	Q213	Q214E
Revenues	700	942	1,180	1,673	1,879	1,972	260	411
EBITDA	378	296	542	829	919	940	113	209
EBIT	215	71	307	511	556	540	58	135
PTP	124	-88	108	293	376	336	49	91
EPS, rep	0.73	-1.00	0.48	1.66	2.14	1.80	0.29	0.53
EPS, adj.	0.78	-0.97	0.91	1.66	2.14	1.80	0.20	0.53
Op.CF / share	2.06	2.11	2.53	3.80	4.30	4.34	-0.13	0.78
(Op.CF - capex) / share	-9.80	-0.32	-6.16	0.03	-4.57	1.24	-0.04	0.67
CFPS	1.18	0.50	2.19	1.95	-0.12	-1.71	-0.37	0.40
Dividend per share	0.00	0.00	0.00	0.66	1.16	1.44	0.00	0.19
Dividend yield (%)	0.0 %	0.0 %	0.0 %	2.2 %	6.0 %	7.3 %	0.0 %	0.0 %
EV/EBITDA	11.4	15.5	10.6	7.1	6.4	6.2		
EV/EBIT	20.0	64.3	18.6	11.4	10.5	10.8		
P/E, adj.	17.7	-16.1	19.6	11.2	8.7	10.4		
P/B		0.7	0.8	0.8	0.8	0.7		
ROE	na	-4 %	4 %	7 %	9 %	7 %		
ROCE	na	1 %	5 %	8 %	8 %	7 %		
NIBD/EBITDA	6.6	8.6	6.2	4.1	4.5	4.4		
NIBD/EBITDA, adj.			4.1	3.5	3.2	4.0		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2016
Revenues	1,673	1,719	1,879	1,879	1,972	1,972	-3 %	0 %	0 %
EBITDA	829	854	919	919	940	940	-3 %	0 %	0 %
Operating profit	511	526	556	556	540	540	-3 %	0 %	0 %
Pre-tax profit	293	309	376	377	336	337	-5 %	0 %	0 %
EPS, rep.	1.66	1.76	2.14	2.15	1.80	1.81	-6 %	0 %	0 %
EPS, adj.	1.66	1.76	2.14	2.15	1.80	1.81	-6 %	0 %	0 %
DPS	0.66	0.66	1.16	1.16	1.44	1.44	0 %	0 %	0 %

Full year and quarterly estimates

ESTIMATES

P&L	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Revenues	942	1,180	1,673	1,879	1,972	286	230	246	260	329	345	361	411	466	435	450	463
EBITDA-margin (%)	31 %	46 %	50 %	49 %	48 %	37 %	14 %	42 %	44 %	49 %	48 %	48 %	51 %	51 %	48 %	50 %	48 %
EBITDA	296	542	829	919	940	107	33	103	113	160	166	172	209	240	208	224	221
EBITDA margin (%)	31 %	46 %	50 %	49 %	48 %	37 %	14 %	42 %	44 %	49 %	48 %	48 %	51 %	51 %	48 %	50 %	48 %
EBIT	71	307	511	556	540	51	-23	50	58	99	101	96	135	156	125	140	128
EBIT margin (%)	8 %	26 %	31 %	30 %	27 %	18 %	-10 %	20 %	22 %	30 %	29 %	26 %	33 %	33 %	29 %	31 %	28 %
Pre-tax profit	-88	108	293	376	336	-1	-60	21	49	-11	49	7	91	113	83	99	81
Pre-tax margin (%)	-9 %	9 %	18 %	20 %	17 %	0 %	-26 %	8 %	19 %	-3 %	14 %	2 %	22 %	24 %	19 %	22 %	18 %
Net profit	-132	63	219	282	237	-12	-71	6	39	-21	40	-2	70	89	61	76	58
Net margin (%)	-14 %	5 %	13 %	15 %	12 %	-4 %	-31 %	3 %	15 %	-7 %	11 %	0 %	17 %	19 %	14 %	17 %	13 %
Balance	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash and cash equivalents	317	605	912	896	671	486	317	248	198	502	605	728	780	841	912	889	857
Other current assets	131	115	115	115	115	255	280	301	321	320	404	359	393	430	409	420	429
Rigs and advances	5,392	6,439	6,617	7,423	7,430	5,273	5,392	5,434	5,453	6,004	6,439	6,814	6,754	6,685	6,617	7,061	7,050
Other non-current assets	236	171	171	171	171	231	236	303	261	143	171	171	171	171	171	171	171
Total assets	6,076	7,331	7,815	8,605	8,387	6,245	6,225	6,286	6,233	6,969	7,620	8,073	8,099	8,127	8,110	8,540	8,507
Short term interest bearing liabilities	170	85	85	85	85	170	170	170	13	45	85	85	85	85	85	85	85
Long-term interest bearing debt	2,684	3,908	4,217	4,951	4,743	2,726	2,684	2,642	2,758	3,516	3,908	4,324	4,288	4,252	4,217	4,618	4,572
Other short term liabilities	266	368	417	417	417	256	336	403	365	347	458	510	520	534	534	533	544
Other long term liabilities	127	189	129	69	9	119	127	151	138	122	189	176	158	144	129	116	98
Total liabilities	3,247	4,551	4,849	5,523	5,254	3,270	3,317	3,367	3,274	4,031	4,641	5,096	5,052	5,016	4,966	5,353	5,300
Equity	2,909	2,980	3,145	3,280	3,336	2,975	2,909	2,919	2,958	2,939	2,980	2,978	3,049	3,113	3,145	3,188	3,208
Equity share (%)	47 %	40 %	39 %	37 %	39 %	48 %	47 %	46 %	47 %	42 %	39 %	37 %	38 %	38 %	39 %	37 %	38 %
NIBD	2,536	3,388	3,390	4,140	4,157	2,409	2,536	2,565	2,573	3,059	3,388	3,681	3,593	3,497	3,390	3,815	3,800
Cash flow	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	
Cash earnings	291	478	585	576	42	-15	42	64	92	93	62	127	159	130	147	133	
Operating cash flow	333	500	566	571	99	64	112	-17	37	201	110	102	136	152	136	135	
Net capex	-1,144	-496	-1,168	-407	-55	-187	-121	12	-503	-532	-451	-14	-14	-16	-527	-82	
Free cash flow after investments	-811	4	-602	164	44	-123	-9	-5	-466	-331	-341	88	121	136	-392	53	
Net debt repayments	1,178	307	734	-208	268	-44	-44	-44	831	435	414	-36	-36	-36	401	-46	
Equity issue / dividend	-78	0	0	0	-17	-1	-17	0	-62	0	0	0	0	0	0	0	
Free cash flow	288	257	-16	-225	295	-169	-70	-49	303	104	73	52	61	71	-23	-31	

Revenues, opex per day and utilization per rig

ESTIMATES

REVENUES	2013E	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Leiv Eriksson	133	186	187	155	0	39	49	45	47	46	46	46	46	47	47	47
Eirik Raude	150	168	148	172	24	39	39	48	52	49	50	17	37	37	37	37
Ocean Rig Corcovado	153	154	135	146	41	35	39	38	38	38	39	39	39	39	17	41
Ocean Rig Olympia	201	199	166	166	50	52	52	48	51	49	50	50	49	50	50	17
Ocean Rig Poseidon	197	230	230	172	59	23	60	56	59	56	57	57	57	57	58	58
Ocean Rig Mykonos	133	146	137	148	29	39	39	27	32	38	38	38	38	17	41	41
Ocean Rig Mylos	27	172	206	173	0	0	0	27	18	50	51	52	51	51	52	53
Ocean Rig Skyros	0	158	193	195	0	0	0	0	13	48	49	49	48	48	49	49
Ocean Rig Athena	0	106	214	218	0	0	0	0	0	0	53	53	53	53	54	54
Ocean Rig Apollo	0	0	125	196	0	0	0	0	0	0	0	0	0	28	49	49
Ocean Rig Santorini	0	0	0	90	0	0	0	0	0	0	0	0	0	0	0	0
Total contract revenues	995	1,520	1,742	1,833	203	226	277	290	310	376	433	401	417	427	453	445
OPEX*	2013E	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Leiv Eriksson	-60	-83	-83	-76	-3	-20	-20	-17	-21	-20	-21	-21	-20	-21	-21	-21
Eirik Raude	-84	-62	-67	-68	-23	-24	-24	-14	-13	-16	-17	-17	-16	-17	-17	-17
Ocean Rig Corcovado	-77	-80	-77	-71	-20	-20	-20	-17	-18	-20	-21	-21	-21	-21	-18	-18
Ocean Rig Olympia	-72	-74	-74	-71	-18	-18	-18	-18	-18	-18	-19	-19	-19	-19	-19	-18
Ocean Rig Poseidon	-57	-71	-72	-72	-16	-5	-17	-18	-17	-18	-18	-18	-18	-18	-18	-18
Ocean Rig Mykonos	-74	-72	-71	-71	-18	-18	-18	-19	-17	-18	-18	-18	-18	-17	-18	-18
Ocean Rig Mylos	-22	-72	-76	-76	0	0	0	-22	-16	-19	-19	-19	-19	-19	-19	-19
Ocean Rig Skyros	0	-84	-82	-83	0	0	0	0	-24	-20	-20	-20	-20	-20	-21	-21
Ocean Rig Athena	0	-51	-81	-83	0	0	0	0	-11	0	-20	-20	-20	-20	-21	-21
Ocean Rig Apollo	0	0	-57	-81	0	0	0	0	0	0	0	0	0	-17	-20	-20
Ocean Rig Santorini	0	0	0	-54	0	0	0	0	0	0	0	0	0	0	0	0
Total opex	-447	-649	-740	-807	-99	-105	-118	-125	-155	-150	-172	-172	-170	-190	-191	-190
*Operating expenses excluding depreciation and amortization																
EBITDA	2013E	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Leiv Eriksson	73	103	104	79	-3	19	28	28	26	25	26	26	26	26	26	26
Eirik Raude	66	105	81	104	0	16	15	35	39	33	33	0	20	20	20	20
Ocean Rig Corcovado	76	74	59	75	21	15	19	21	20	18	18	18	18	18	-1	23
Ocean Rig Olympia	129	126	93	95	32	34	33	31	33	31	31	31	31	31	32	-1
Ocean Rig Poseidon	141	159	157	100	43	17	43	37	42	39	39	39	39	39	40	40
Ocean Rig Mykonos	59	74	66	77	11	20	20	8	14	20	20	20	20	-1	23	23
Ocean Rig Mylos	5	99	130	97	0	0	0	5	3	32	32	33	32	32	33	33
Ocean Rig Skyros	0	74	112	112	0	0	0	0	-11	28	28	28	28	28	28	28
Ocean Rig Athena	0	55	133	135	0	0	0	0	-11	0	33	33	33	33	33	33
Ocean Rig Apollo	0	0	68	115	0	0	0	0	0	0	0	0	0	11	29	29
Ocean Rig Santorini	0	0	0	36	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA from rig operations	549	870	1,002	1,026	104	121	159	164	155	226	261	229	247	238	262	255
Other opex	-6	-41	-83	-85	-1	-8	1	1	17	-16	-21	-21	-23	-17	-22	-21
EBITDA total	542	829	919	940	103	113	160	166	172	209	240	208	224	221	240	234

RIG SECTOR – 2Q14 PREVIEW: OCEAN RIG

Dayrates, opex per day and utilization per rig

ESTIMATES

AVERAGE DAYRATES ('000)	2013E	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Leiv Eriksson	547	553	561	543	553	545	545	545	553	553	553	553	561	561	561	561
Eirik Raude	587	570	508	515	593	584	584	584	593	593	593	500	508	508	508	508
Ocean Rig Corcovado	458	463	480	498	463	456	456	456	463	463	463	463	470	470	490	490
Ocean Rig Olympia	586	593	574	498	593	584	584	584	593	593	593	593	602	602	602	490
Ocean Rig Poseidon	673	680	690	599	680	670	670	670	680	680	680	680	690	690	690	690
Ocean Rig Mykonos	453	458	484	498	458	451	451	451	458	458	458	458	465	490	490	490
Ocean Rig Mylos	152	611	620	595	0	0	0	608	608	608	608	618	618	618	618	627
Ocean Rig Skyros	0	580	580	584	0	0	0	0	580	580	580	580	580	580	580	580
Ocean Rig Athena	0	317	643	653	0	0	0	0	0	0	634	634	643	643	643	643
Ocean Rig Apollo	0	0	435	587	0	0	0	0	0	0	0	0	0	580	580	580
Ocean Rig Santorini	0	0	0	373	0	0	0	0	0	0	0	0	0	0	0	0
Average dayrates	494	536	557	540	557	548	548	557	566	566	574	564	571	574	576	566
AVERAGE OPEX PER DAY ('000)	2013E	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Leiv Eriksson	165	226	228	208	36	220	220	185	233	224	224	224	224	229	229	229
Eirik Raude	232	171	183	185	259	259	259	150	142	180	180	180	183	183	183	183
Ocean Rig Corcovado	211	218	210	195	220	220	220	183	200	224	224	224	229	229	192	192
Ocean Rig Olympia	197	201	203	195	198	198	198	195	200	202	202	202	206	206	206	192
Ocean Rig Poseidon	155	194	198	198	181	60	181	199	192	195	195	195	195	199	199	199
Ocean Rig Mykonos	203	199	194	195	201	201	201	208	194	200	200	200	200	192	192	192
Ocean Rig Mylos	60	198	209	209	0	0	0	240	175	205	205	205	209	209	209	209
Ocean Rig Skyros	0	231	223	228	0	0	0	0	265	220	220	220	220	224	224	224
Ocean Rig Athena	0	140	222	227	0	0	0	0	120	0	220	220	220	220	224	224
Ocean Rig Apollo	0	0	157	221	0	0	0	0	0	0	0	0	0	192	217	217
Ocean Rig Santorini	0	0	0	146	0	0	0	0	0	0	0	0	0	0	0	0
Total	175	198	203	200	183	193	213	194	191	206	208	208	210	208	208	206
AVERAGE UTILIZATION (%)	2013E	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Leiv Eriksson	69 %	95 %	94 %	80 %	0 %	81 %	100 %	93 %	98 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %
Eirik Raude	72 %	82 %	82 %	94 %	44 %	76 %	75 %	93 %	100 %	94 %	94 %	38 %	83 %	82 %	82 %	82 %
Ocean Rig Corcovado	94 %	94 %	80 %	83 %	98 %	88 %	96 %	93 %	94 %	94 %	94 %	94 %	94 %	94 %	38 %	94 %
Ocean Rig Olympia	96 %	95 %	80 %	94 %	93 %	100 %	99 %	93 %	98 %	94 %	94 %	94 %	94 %	94 %	94 %	38 %
Ocean Rig Poseidon	82 %	96 %	94 %	79 %	97 %	38 %	100 %	93 %	100 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %
Ocean Rig Mykonos	83 %	90 %	80 %	84 %	71 %	97 %	96 %	67 %	79 %	94 %	94 %	94 %	94 %	38 %	94 %	94 %
Ocean Rig Mylos	12 %	79 %	94 %	80 %	0 %	0 %	0 %	50 %	34 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %
Ocean Rig Skyros	0 %	77 %	94 %	94 %	0 %	0 %	0 %	0 %	26 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %
Ocean Rig Athena	0 %	47 %	94 %	94 %	0 %	0 %	0 %	0 %	0 %	0 %	94 %	94 %	94 %	94 %	94 %	94 %
Ocean Rig Apollo	0 %	0 %	61 %	94 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	55 %	94 %	94 %
Ocean Rig Santorini	0 %	0 %	0 %	51 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Total	73 %	84 %	85 %	84 %	81 %	80 %	94 %	83 %	79 %	94 %	94 %	88 %	93 %	83 %	87 %	87 %
Total number of earning days	498	703	797	863	363	437	520	535	566	684	778	727	752	759	802	802

RIG SECTOR – 2Q14 PREVIEW: OCEAN RIG



Cold winds from the North Sea, but still attractive

ODFJELL DRILLING – 1Q14 UPDATE

Recommendation: BUY – Target: NOK 48 (50)

10-Jul-2014 Prepared by Analyst: Ivar Andreas Lemmechen Gjøl, Fondsfinsans AS, tel: +47 23 11 30 24, e-mail: iag@fondsfinsans.no

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Still struggling with Drilling & Technology, long term risk up with NCS Deepsea Atlantic option call in August key trigger

ODFJELL DRILLING

BUY / TARGET NOK 50

Estimate summary

Key figures (USDm)	2012	2013	2014E	2015E	2016E	Q213	Q214E
Revenues	1,094	1,174	1,144	1,323	1,386	289	285
EBITDA	331	393	358	487	494	113	89
EBIT	184	248	201	299	303	77	52
PTP	148	171	166	245	248	62	43
EPS, rep	0.58	0.34	0.67	0.98	0.99	-0.05	0.17
EPS, adj.	0.58	0.34	0.67	0.98	0.99	-0.05	0.17
Op.CF / share	1.34	1.23	1.50	1.84	1.92	0.31	0.45
(Op.CF - capex) / share	0.28	0.63	-1.68	0.65	1.48	0.19	0.36
CFPS	-0.51	0.00	0.47	-0.71	-0.11	0.13	0.30
Dividend per share	0.00	0.05	0.24	0.39	0.40	0.00	0.00
Dividend yield (%)	0 %	0 %	1 %	4 %	7 %	0 %	4 %
EV/EBITDA	0.0	6.0	6.0	4.4	4.4		
EV/EBIT	0.0	9.6	10.7	7.2	7.1		
P/E, adj.	0.0	19.8	8.4	5.8	5.7		
P/B		1.2	0.9	0.8	0.7		
ROE	21 %	6 %	11 %	15 %	14 %		
ROCE	16 %	11 %	8 %	11 %	12 %		
NIBD/EBITDA	3.4	2.6	4.1	2.5	2.0		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2016
Revenues	1,144	1,149	1,323	1,324	1,386	1,388	0 %	0 %	0 %
EBITDA	358	366	487	487	494	494	-2 %	0 %	0 %
Operating profit	201	209	299	299	303	303	-4 %	0 %	0 %
Pre-tax profit	166	174	245	245	248	248	-4 %	0 %	0 %
EPS, rep.	0.67	0.70	0.98	0.98	0.99	0.99	-4 %	0 %	0 %
EPS, adj.	0.67	0.70	0.98	0.98	0.99	0.99	-4 %	0 %	0 %

RIG SECTOR – 2Q14 PREVIEW: ODFJELL DRILLING

Full year and quarterly estimates

ESTIMATES

P&L	2012	2,013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Revenues	1,094	1,174	1,144	1,323	1,386	280	288	296	289	300	289	274	285	294	291	309	341
Revenue growth (%)	0 %	7 %	-3 %	16 %	5 %	0 %	0 %	11 %	11 %	7 %	0 %	-8 %	-1 %	-2 %	1 %	13 %	20 %
EBITDA	331	393	358	487	494	78	92	89	113	103	88	75	89	99	96	104	131
EBITDA margin (%)	30 %	33 %	31 %	37 %	36 %	28 %	32 %	30 %	39 %	34 %	30 %	27 %	31 %	34 %	33 %	34 %	38 %
EBIT	184	248	201	299	303	41	54	51	77	68	52	37	52	63	49	56	86
EBIT margin (%)	17 %	21 %	18 %	23 %	22 %	15 %	19 %	17 %	27 %	23 %	18 %	13 %	18 %	21 %	17 %	18 %	25 %
Pre-tax profit	148	171	166	245	248	39	47	28	62	43	39	27	43	55	42	42	72
Pre-tax margin (%)	14 %	15 %	15 %	18 %	18 %	14 %	16 %	9 %	21 %	14 %	13 %	10 %	15 %	19 %	14 %	14 %	21 %
Net profit	117	69	134	196	198	36	36	22	-9	31	25	23	34	44	33	34	58
Net margin (%)	11 %	6 %	12 %	15 %	14 %	13 %	12 %	7 %	-3 %	10 %	9 %	8 %	12 %	15 %	11 %	11 %	17 %
Balance	2012	2,013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash and cash equivalents	201	201	294	152	130	214	201	n.a.	245	250	201	221	281	298	294	285	260
Other current assets	280	296	260	285	289	266	280	n.a.	264	268	296	268	255	261	260	273	289
Rigs, machinery and equipment	1,872	1,780	2,261	2,313	2,212	1,868	1,872	n.a.	1,778	1,776	1,780	1,779	1,761	1,750	2,261	2,259	2,261
Other non-current assets	452	460	430	430	430	432	452	n.a.	453	459	460	430	430	430	430	430	430
Total assets	2,804	2,736	3,245	3,179	3,061	2,780	2,804	n.a.	2,740	2,753	2,736	2,698	2,727	2,739	3,245	3,246	3,240
Short term interest bearing liabilities	211	180	180	180	180	160	211	n.a.	181	181	180	180	180	180	180	180	180
Long-term interest bearing debt	1,141	1,092	1,498	1,273	1,035	1,232	1,141	n.a.	1,178	1,144	1,092	1,060	1,058	1,023	1,498	1,463	1,435
Other short term liabilities	205	231	220	231	231	162	205	n.a.	190	203	231	213	220	223	220	223	234
Other long term liabilities	93	102	100	100	100	103	93	n.a.	108	108	102	100	100	100	100	100	100
Total liabilities	1,650	1,606	1,998	1,784	1,546	1,657	1,650	n.a.	1,657	1,635	1,606	1,553	1,557	1,526	1,998	1,966	1,949
Equity	1,154	1,130	1,247	1,395	1,516	1,123	1,154	n.a.	1,084	1,118	1,130	1,145	1,170	1,213	1,247	1,281	1,291
Equity share (%)	41 %	41 %	38 %	44 %	50 %	40 %	41 %	n.a.	40 %	41 %	41 %	42 %	43 %	44 %	38 %	39 %	40 %
NIBD	1,151	1,071	1,383	1,301	1,084	1,177	1,151	n.a.	1,113	1,074	1,071	1,019	956	905	1,383	1,358	1,355
Cash flow	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash earnings	275	216	286	388	387	68	82	54	92	7	63	51	75	83	77	82	109
Operating cash flow	267	245	301	369	385	39	83	55	61	75	54	55	90	78	79	72	98
Net capex	-205	-53	-635	-240	-90	-11	-37	-15	38	-29	-48	-35	-17	-26	-557	-46	-48
Free cash flow after investments	-39	164	-300	129	295	26	27	36	84	40	4	55	72	52	-479	26	50
Net debt repayments	-51	-86	403	-225	-238	25	-32	53	-52	-35	-52	-35	-2	-35	475	-35	-28
Equity issue / dividend	-2	-79	-10	-47	-78	0	-2	-71	-9	0	0	0	-10	0	0	0	-47
Free cash flow	-102	0	93	-143	-21	52	-14	18	26	5	-49	20	60	17	-4	-9	-25

Revenues, opex per day and utilization per rig

ESTIMATES

REVENUES	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Mobile Offshore Drilling Units	693	762	769	913	977	176	183	185	184	202	190	180	192	201	196	201	240
Drilling & Technology	316	352	313	319	326	76	92	88	89	88	87	78	78	79	78	79	80
Well Services	208	227	226	233	243	47	59	61	55	57	54	53	58	60	56	54	60
Corporate/Eliminations	-124	-167	-165	-143	-159	-19	-45	-38	-40	-47	-42	-37	-43	-46	-39	-26	-38
Total Revenue	1,094	1,174	1,144	1,323	1,386	280	288	296	289	300	289	274	285	294	291	309	341
OPEX*	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Mobile Offshore Drilling Units	-408	-423	-433	-490	-541	-102	-103	-105	-104	-105	-109	-107	-106	-107	-113	-118	-124
Drilling & Technology	-291	-326	-306	-297	-303	-71	-82	-83	-81	-81	-80	-79	-79	-75	-73	-74	-74
Well Services	-113	-122	-124	-128	-133	-26	-30	-32	-30	-31	-29	-29	-32	-33	-31	-30	-33
Corporate/Eliminations	50	91	78	79	85	-3	19	13	39	21	18	16	20	20	20	17	21
Total Opex	-763	-781	-785	-836	-892	-203	-196	-208	-176	-197	-201	-199	-197	-194	-196	-205	-210
EBITDA	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Mobile Offshore Drilling Units	285	338	336	423	436	74	80	80	81	97	80	73	86	94	83	84	116
Drilling & Technology	25	25	7	22	23	5	10	5	8	7	6	-1	-1	4	5	6	6
Well Services	95	105	102	105	109	21	29	29	25	26	26	24	26	27	25	24	27
Corporate/Eliminations	-74	-76	-87	-64	-74	-22	-26	-25	-1	-26	-24	-21	-23	-25	-18	-9	-18
Total EBITDA	331	393	358	487	494	78	92	89	113	103	88	75	89	99	96	104	131
Depreciation and Impairment	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Mobile Offshore Drilling Units	-123	-134	-146	-176	-181	-32	-33	-33	-33	-33	-34	-36	-33	-33	-44	-47	-42
Drilling & Technology	-6	-5	-4	-4	-4	-2	-1	-1	-2	-2	-1	-1	-1	-1	-1	-1	-1
Well Services	-43	-38	-36	-37	-38	-11	-11	-11	-10	-9	-8	-8	-9	-9	-9	-9	-9
Corporate/Eliminations	24	32	29	29	32	8	7	8	8	8	8	8	7	7	7	8	7
Total Depreciation and Impairment	-147	-145	-157	-187	-191	-36	-39	-38	-36	-35	-36	-38	-36	-36	-46	-48	-46
EBIT	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Mobile Offshore Drilling Units	162	205	190	247	256	41	46	47	48	64	46	37	53	61	39	37	74
Drilling & Technology	19	20	3	18	19	3	9	4	6	5	5	-3	-2	3	4	5	5
Well Services	53	67	66	68	71	11	18	17	16	17	17	15	17	17	16	16	18
Corporate/Eliminations	-50	-44	-58	-34	-42	-14	-19	-17	8	-18	-17	-13	-16	-18	-11	-2	-11
Total EBIT	184	248	201	299	303	42	54	51	77	68	52	37	52	63	49	56	86

RIG SECTOR – 2Q14 PREVIEW: ODFJELL DRILLING

Source: Fondsinans Research / ODJ

Dayrates, opex per day and utilization per rig

ESTIMATES

UTILIZATION	2012	2013	2014E	2015E	2016E
Deepsea Aberdeen	n.a.	n.a.	0 %	78 %	93 %
Deepsea Atlantic	79 %	89 %	86 %	93 %	93 %
Deepsea Stavanger	98 %	95 %	93 %	89 %	93 %
Deepsea Bergen	97 %	98 %	93 %	89 %	93 %
Deepsea Metro I	98 %	97 %	86 %	78 %	89 %
Deepsea Metro II	72 %	86 %	80 %	93 %	89 %
Guarapari	n.a.	n.a.	n.a.	n.a.	93 %
Siri	n.a.	n.a.	n.a.	n.a.	n.a.
Itaoca	n.a.	n.a.	n.a.	n.a.	n.a.
Average Utilization	89 %	93 %	73 %	87 %	92 %

DAYRATE	2012	2013	2014E	2015E	2016E
Deepsea Aberdeen	n.a.	n.a.	0	455	462
Deepsea Atlantic	561	561	561	560	586
Deepsea Stavanger	420	420	433	540	515
Deepsea Bergen	361	361	364	370	375
Deepsea Metro I	676	676	676	467	474
Deepsea Metro II	433	449	454	464	474
Guarapari	n.a.	n.a.	n.a.	n.a.	518
Siri	n.a.	n.a.	n.a.	n.a.	n.a.
Itaoca	n.a.	n.a.	n.a.	n.a.	n.a.
Average Dayrate	490	494	415	476	486

OPEX Per Rig	2012	2013	2014E	2015E	2016E
Deepsea Aberdeen	n.a.	n.a.	65	160	173
Deepsea Atlantic	169	172	175	179	182
Deepsea Stavanger	169	172	175	179	182
Deepsea Bergen	174	177	180	184	187
Deepsea Metro I	198	202	205	209	213
Deepsea Metro II	208	212	215	219	224
Guarapari	n.a.	n.a.	n.a.	n.a.	224
Siri	n.a.	n.a.	n.a.	n.a.	n.a.
Itaoca	n.a.	n.a.	n.a.	n.a.	n.a.
Average OPEX per Rig	184	190	186	188	196

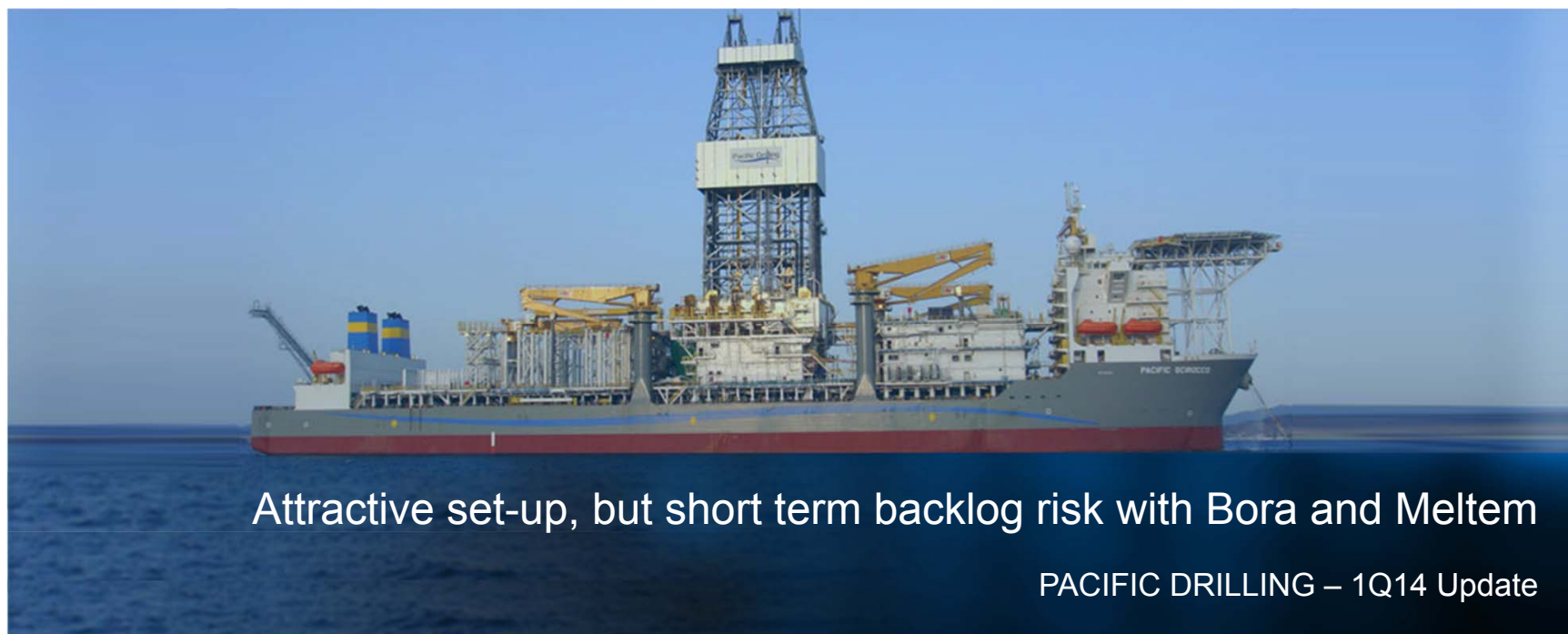
EBITDA Per Rig	2012	2013	2014E	2015E	2016E
Deepsea Aberdeen	n.a.	n.a.	-6	72	94
Deepsea Atlantic	100	119	113	125	133
Deepsea Stavanger	89	82	83	110	109
Deepsea Bergen	65	64	58	53	59
Deepsea Metro I	169	166	138	57	76
Deepsea Metro II	39	64	54	77	72
Guarapari	n.a.	n.a.	n.a.	n.a.	48
Siri	n.a.	n.a.	n.a.	n.a.	n.a.
Itaoca	n.a.	n.a.	n.a.	n.a.	n.a.
Average EBITDA per Rig	92	99	73	82	84

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0 %	33 %	93 %
79 %	79 %	89 %	83 %	89 %	95 %	67 %	93 %	93 %	93 %	93 %	93 %
98 %	98 %	99 %	100 %	99 %	82 %	93 %	93 %	93 %	93 %	93 %	93 %
97 %	97 %	100 %	100 %	99 %	93 %	93 %	93 %	93 %	93 %	93 %	93 %
98 %	98 %	95 %	100 %	100 %	93 %	93 %	93 %	93 %	65 %	33 %	93 %
72 %	72 %	89 %	74 %	99 %	82 %	72 %	60 %	93 %	93 %	93 %	93 %
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
89 %	89 %	94 %	91 %	97 %	89 %	84 %	86 %	93 %	73 %	73 %	93 %

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	455	455
561	561	561	561	561	561	561	561	561	561	561	561
420	420	420	420	420	420	420	420	426	464	540	540
361	361	361	361	361	361	361	361	367	367	367	367
676	676	676	676	676	676	676	676	676	676	467	467
433	433	433	433	476	454	454	454	454	454	461	461
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
490	490	490	490	499	495	495	495	497	420	475	475

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	65	130	170
168	172	172	172	172	175	175	175	175	175	179	179
168	172	172	172	172	175	175	175	175	175	179	179
173	176	176	176	176	180	180	180	180	180	184	184
197	201	201	201	201	205	205	205	205	205	209	209
207	211	211	211	211	215	215	215	215	215	219	219
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
178	181	191	184	186	199	196	190	190	169	183	190

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6	2	23
25	25	29	27	30	33	18	32	32	32	31	31
22	22	22	22	23	15	19	20	20	24	29	29
16	16	17	17	17	14	14	14	15	15	14	14
43	42	40	43	44	39	38	39	39	22	-5	20
10	9	16	10	24	14	10	5	19	19	19	19
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23	23	25	24	27	23	20	22	25	18	15	23



Attractive set-up, but short term backlog risk with Bora and Meltem

PACIFIC DRILLING – 1Q14 Update

Recommendations:

- Equity rating: NEUTRAL– Target price: NOK 60 / USD 10.0
- Credit rating: SELL - Bond rating: BB-

10-Jul-2014 Prepared by Analyst: Ivar Andreas Lemmechen Gjul, Fondsfinsans AS, tel: +47 23 11 30 24, e-mail: iag@fondsfinsans.no

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Attractive set-up, but short term backlog risk with Bora and Meltem

PACIFIC DRILLING

NEUTRAL / TARGET NOK 60

Estimate summary

Key figures (USDm)	2011	2012	2013	2014E	2015E	2016E	Q213	Q214E
Revenues	65	638	746	1,091	1,443	1,498	177	245
EBITDA	-1	285	360	560	800	816	86	126
EBIT	-12	157	210	352	527	525	49	83
PTP	0	56	48	212	359	370	-39	51
EPS, rep.	-0.01	0.16	0.12	0.79	1.39	1.43	-0.21	0.19
EPS, adj.	-0.10	0.05	0.41	0.79	1.39	1.43	0.09	0.19
Op.CF / share	-0.30	0.85	1.06	1.74	2.42	2.65	0.16	0.44
(Op.CF - capex) / share	-7.51	-1.22	-2.98	-2.53	0.54	1.92	-0.22	-2.76
CFPS	1.16	1.45	-2.16	0.24	0.39	0.40	0.62	0.22
Dividend per share	0.00	0.00	0.00	0.00	0.68	1.00	0.00	0.00
Dividend yield (%)	0.0 %	0.0 %	0.0 %	0.0 %	5.0 %	9.0 %	0.0 %	0.0 %
EV/EBITDA	na	13.3	10.7	6.9	4.8	4.7		
EV/EBIT	na	24.1	18.4	10.9	7.3	7.3		
P/E, adj.	na	206.9	24.6	12.9	7.3	7.1		
P/B	na	0.9	0.9	0.9	0.8	0.8		
ROE	na	0 %	4 %	7 %	11 %	11 %		
ROCE	na	4 %	5 %	7 %	10 %	10 %		
NIBD/EBITDA	na	5.8	6.2	5.0	3.5	3.1		

Estimate changes

ESTIMATE	2014E		2015E		2016E		Change %		
CHANGES	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2016
Revenues	1,091	1,121	1,443	1,444	1,498	1,499	-3 %	0 %	0 %
EBITDA	560	574	800	801	816	817	-2 %	0 %	0 %
Operating profit	352	358	527	528	525	526	-1 %	0 %	0 %
Pre-tax profit	212	218	359	361	370	372	-2 %	0 %	0 %
EPS, rep.	0.79	0.81	1.39	1.40	1.43	1.44	-2 %	0 %	0 %
EPS, adj.	0.79	0.81	1.39	1.40	1.43	1.44	-2 %	0 %	0 %

RIG SECTOR – 2Q14 PREVIEW: PACIFIC DRILLING

Full year and quarterly estimates

ESTIMATES

P&L	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Revenues	65	638	746	1,091	1,443	1,498	172	192	175	177	193	201	226	245	293	327	338	346
EBITDA-margin (%)	-1 %	45 %	48 %	51 %	55 %	54 %	38 %	49 %	45 %	49 %	50 %	48 %	45 %	51 %	53 %	53 %	56 %	56 %
EBITDA	-1	285	360	560	800	816	65	93	80	86	97	97	102	126	157	175	188	194
EBITDA margin (%)	-1 %	45 %	48 %	51 %	55 %	54 %	38 %	49 %	45 %	49 %	50 %	48 %	45 %	51 %	53 %	53 %	56 %	56 %
EBIT	-12	157	210	352	527	525	29	57	43	49	61	57	56	83	102	111	125	131
EBIT margin (%)	-19 %	25 %	28 %	32 %	37 %	35 %	17 %	30 %	25 %	28 %	31 %	29 %	25 %	34 %	35 %	34 %	37 %	38 %
Pre-tax profit	0	56	48	212	359	370	2	23	20	-39	36	31	29	51	62	71	84	87
Pre-tax margin (%)	0 %	9 %	6 %	19 %	25 %	25 %	1 %	12 %	12 %	-22 %	19 %	15 %	13 %	21 %	21 %	22 %	25 %	25 %
Net profit	-3	34	26	171	301	310	-2	16	15	-46	30	26	22	41	50	58	71	73
Net margin (%)	-5 %	5 %	3 %	16 %	21 %	21 %	-1 %	9 %	9 %	-26 %	16 %	13 %	10 %	17 %	17 %	18 %	21 %	21 %
Balance	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash and cash equivalents	107	606	204	256	342	427	154	606	468	603	134	204	237	284	275	256	205	233
Restricted cash (Current and non-curr)	377	172	0	0	0	0	303	172	172	0	0	0	0	0	0	0	0	0
Other current assets	186	271	349	387	428	426	269	271	245	265	262	349	335	312	356	387	397	394
Rigs, machinery and equipment	3,436	3,760	4,512	5,258	5,392	5,258	3,680	3,760	3,865	3,970	4,441	4,512	4,583	5,234	5,251	5,258	5,558	5,509
Other non-current assets	78	84	99	90	90	90	88	84	88	107	95	99	90	90	90	90	90	90
Total assets	4,184	4,894	5,164	5,991	6,251	6,202	4,494	4,894	4,838	4,944	4,931	5,164	5,245	5,920	5,972	5,991	6,251	6,226
Short term interest bearing liabilities	219	219	8	308	8	8	219	219	219	8	8	8	308	308	308	308	8	8
Long-term interest bearing debt	1,456	2,035	2,423	2,723	3,102	2,972	1,647	2,035	1,981	2,288	2,286	2,423	2,122	2,769	2,767	2,723	3,222	3,168
Other short term liabilities	127	183	244	290	312	311	183	183	172	218	202	244	271	267	279	290	290	291
Other long term liabilities	108	142	89	103	72	42	161	142	128	90	68	89	126	117	108	103	94	85
Total liabilities	1,910	2,579	2,764	3,424	3,493	3,332	2,210	2,579	2,500	2,603	2,563	2,764	2,826	3,460	3,462	3,424	3,612	3,551
Equity	2,274	2,315	2,400	2,568	2,758	2,869	2,284	2,315	2,338	2,342	2,368	2,400	2,418	2,460	2,510	2,568	2,638	2,674
Equity share (%)	54 %	47 %	46 %	43 %	44 %	46 %	51 %	47 %	48 %	47 %	48 %	46 %	46 %	42 %	42 %	43 %	42 %	43 %
NIBD	1,568	1,648	2,227	2,775	2,768	2,552	1,409	1,476	1,560	1,692	2,160	2,227	2,193	2,792	2,799	2,775	3,024	2,942
Cash flow			2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash earnings			140	349	546	572	27	48	43	-16	58	55	55	79	98	117	126	128
Operating cash flow			231	377	524	574	53	52	72	34	87	37	123	95	64	95	115	133
Net capex			-876	-925	-407	-158	-114	-106	-135	-83	-555	-104	-89	-695	-71	-71	-364	-14
Free cash flow after investments			-646	-548	117	416	-114	77	-63	124	-467	-67	34	-600	-7	25	-249	119
Net debt repayments			176	600	79	-131	0	388	-55	96	-2	137	-2	647	-2	-44	198	-54
Equity issue / dividend			0	1	-111	-200	0	0	1	-1	0	0	1	0	0	0	0	-37
Free cash flow			-469	53	85	86	-114	452	-138	135	-469	70	32	48	-9	-19	-51	28

Revenues, opex per day and utilization per rig

ESTIMATES

Figures in USDm

REVENUES	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Pacific Bora	162	185	208	161	40	40	40	42	40	41	52	52	51	52	52	52
Pacific Scirocco	162	163	168	171	40	40	40	42	40	41	41	41	42	42	42	42
Pacific Mistral	156	157	164	142	39	39	39	40	38	40	40	40	39	41	42	42
Pacific Santa Ana	167	168	170	173	41	41	42	43	41	42	42	42	42	42	43	43
Pacific Khamsin	17	201	227	231	0	0	0	17	31	56	56	57	56	56	57	58
Pacific Sharav	0	86	189	192	0	0	0	0	0	0	39	47	46	47	48	48
Pacific Meltem	0	29	164	168	0	0	0	0	0	0	0	29	39	41	42	42
Pacific Zonda	0	0	64	168	0	0	0	0	0	0	0	0	0	0	25	39
Total contract revenues	664	989	1,354	1,407	160	160	161	183	189	221	270	308	315	322	351	366
OPEX*	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Pacific Bora	-73	-74	-76	-74	-18	-18	-18	-18	-18	-19	-19	-19	-19	-19	-19	-19
Pacific Scirocco	-73	-74	-70	-71	-18	-18	-18	-18	-18	-19	-19	-19	-17	-17	-18	-18
Pacific Mistral	-70	-73	-71	-71	-17	-18	-18	-18	-18	-18	-18	-18	-18	-17	-18	-18
Pacific Santa Ana	-61	-63	-65	-66	-14	-15	-16	-16	-16	-16	-16	-16	-16	-16	-16	-16
Pacific Khamsin	-11	-70	-77	-71	0	0	0	-11	-11	-19	-20	-20	-19	-19	-19	-19
Pacific Sharav	0	-32	-65	-66	0	0	0	0	0	0	-16	-16	-16	-16	-16	-16
Pacific Meltem	0	-17	-70	-71	0	0	0	0	0	0	0	-17	-17	-17	-18	-18
Pacific Zonda	0	0	-35	-71	0	0	0	0	0	0	0	0	0	0	-18	-18
Total opex	-288	-405	-528	-563	-67	-70	-70	-81	-82	-91	-108	-125	-122	-123	-142	-142
*Operating expenses excluding depreciation and amortization																
EBITDA	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Pacific Bora	89	111	132	86	22	22	22	23	21	23	34	34	32	33	33	33
Pacific Scirocco	89	88	98	100	22	22	22	23	21	23	22	22	24	25	25	25
Pacific Mistral	86	84	93	70	22	21	21	22	20	22	21	21	21	24	24	24
Pacific Santa Ana	106	104	106	107	27	26	26	27	25	27	26	26	26	26	27	27
Pacific Khamsin	6	131	150	160	0	0	0	6	20	37	36	37	37	37	38	39
Pacific Sharav	0	54	124	126	0	0	0	0	0	0	23	31	30	31	32	32
Pacific Meltem	0	12	94	97	0	0	0	0	0	0	0	12	22	24	24	24
Pacific Zonda	0	0	28	97	0	0	0	0	0	0	0	0	0	0	7	22
EBITDA from rig operations	376	584	825	844	93	90	91	102	108	131	163	183	193	199	209	224
Other opex	-16	-24	-25	-28	-13	-4	6	-5	-6	-4	-6	-9	-5	-5	-6	-9
EBITDA total	360	560	800	816	80	86	97	97	102	126	157	175	188	194	203	215

Dayrates, opex per day and utilization per rig

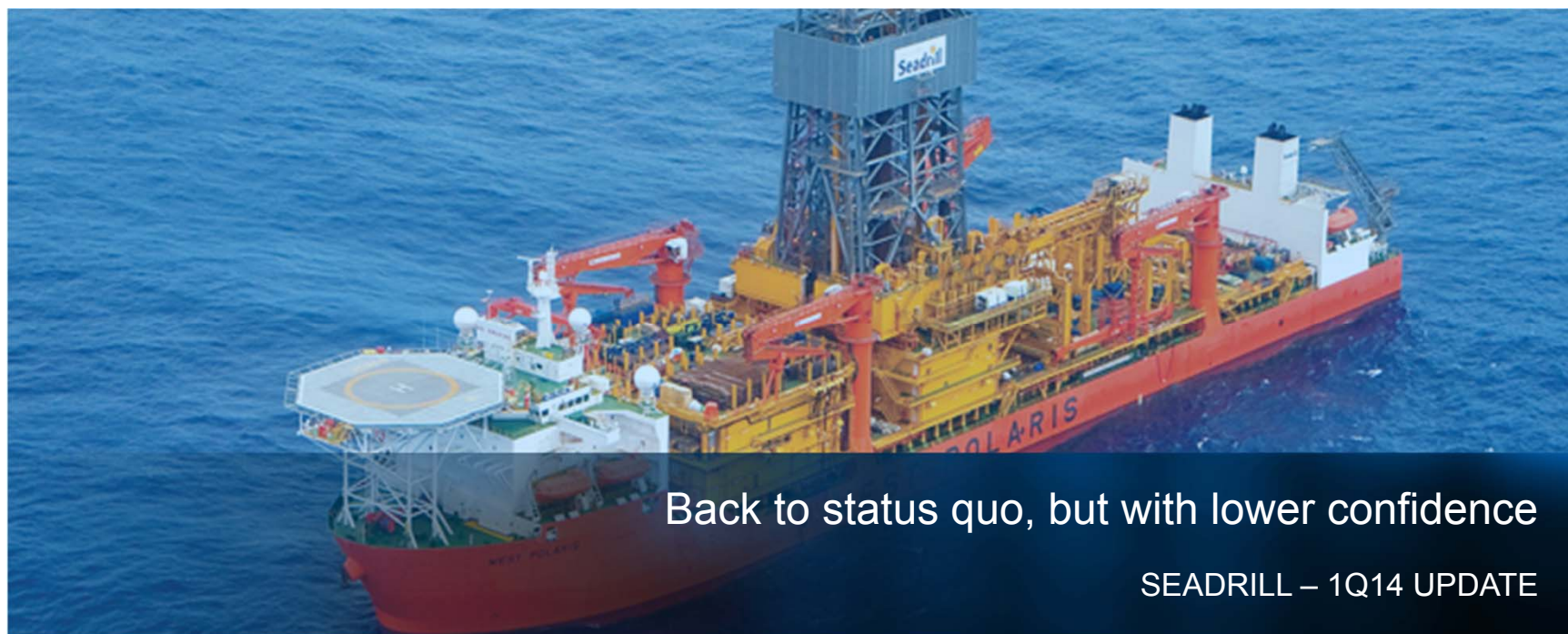
ESTIMATES

AVERAGE DAYRATES ('000)	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Pacific Bora	475	549	615	556	475	475	475	475	482	482	615	615	615	615	615	615
Pacific Scirocco	475	482	499	506	475	475	475	475	482	482	482	482	499	499	499	499
Pacific Mistral	458	465	486	498	458	458	458	458	465	465	465	465	472	490	490	490
Pacific Santa Ana	489	496	504	511	489	489	489	489	496	496	496	496	504	504	504	504
Pacific Khamsin	165	662	672	682	0	0	0	660	660	660	660	670	670	670	670	680
Pacific Sharav	0	278	559	568	0	0	0	0	0	0	555	555	555	555	563	563
Pacific Meltem	0	121	490	498	0	0	0	0	0	0	0	483	490	490	490	490
Pacific Zonda	0	0	245	498	0	0	0	0	0	0	0	0	0	0	490	490
Average dayrates	412	436	509	540	474	474	474	511	517	517	546	538	544	546	540	541

AVERAGE OPEX PER DAY ('000)	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Pacific Bora	200	204	208	203	200	200	200	200	204	204	204	204	208	208	208	208
Pacific Scirocco	200	204	192	195	200	200	200	200	204	204	204	204	192	192	192	192
Pacific Mistral	193	200	195	195	185	195	195	195	200	200	200	200	205	192	192	192
Pacific Santa Ana	168	173	177	180	160	170	170	170	173	173	173	173	177	177	177	177
Pacific Khamsin	29	192	210	195	0	0	0	116	125	214	214	214	210	210	210	210
Pacific Sharav	0	87	177	180	0	0	0	0	0	0	173	173	177	177	177	177
Pacific Meltem	0	47	192	195	0	0	0	0	0	0	0	189	192	192	192	192
Pacific Zonda	0	0	96	195	0	0	0	0	0	0	0	0	0	0	192	192
Total	158	158	181	192	186	191	191	176	181	199	195	194	194	192	192	192

AVERAGE UTILIZATION (%)	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Pacific Bora		93.0 %	92.5 %	77.5 %						94.0 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %	92.4 %
Pacific Scirocco		93.0 %	92.5 %	92.5 %						94.0 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %
Pacific Mistral		93.0 %	92.5 %	77.6 %						94.0 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %
Pacific Santa Ana		93.0 %	92.5 %	92.5 %						94.0 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %
Pacific Khamsin		93.0 %	92.5 %	92.5 %						94.0 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %
Pacific Sharav		56.2 %	92.5 %	92.5 %						0.0 %	76.1 %	92.5 %	92.5 %	92.5 %	92.5 %	92.5 %
Pacific Meltem		21.7 %	91.6 %	92.5 %						0.0 %	0.0 %	65.2 %	88.9 %	92.5 %	92.5 %	92.5 %
Pacific Zonda		0.0 %	35.3 %	92.5 %						0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	54.3 %	87.0 %
Total	93.3 %	93.0 %	92.4 %	88.8 %	90.3 %	90.2 %	96.9 %	95.6 %	82.7 %	94.0 %	89.8 %	88.6 %	92.0 %	92.5 %	87.7 %	91.8 %

Total number of earning days	2013	2014E	2015E	2016E	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
	366	551	655	650	337	337	340	377	376	428	496	571	580	589	646	676



Back to status quo, but with lower confidence

SEADRILL – 1Q14 UPDATE

Recommendations:

- Equity rating: NEUTRAL – Target price: NOK 235
- Credit rating: BUY – Bond rating: BBB-

10-Jul-2014 Prepared by analyst: Ivar Andreas Lemmechen Gjøl, Fondsfins AS, tel: +47 23113024, e-mail: iag@fondsfins.no

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Back to status quo, but with lower confidence

SEADRILL

NEUTRAL / TARGET NOK 235

Estimate summary

Key figures (USDm)	2011	2012	2013	2014E	2015E	2016E	Q213	Q214E
Revenues	4,193	4,478	5,282	4,972	5,907	6,734	1,268	1,190
EBITDA	2,338	2,407	2,809	3,114	3,223	3,651	665	649
EBIT	1,798	1,793	2,098	2,388	2,353	2,655	507	477
PTP	1,693	1,438	2,940	4,476	2,049	2,284	1,799	434
EPS, rep	3.17	2.45	5.65	8.98	3.67	4.04	3.68	0.80
EPS, adj.	1.76	2.05	2.33	3.05	3.67	4.04	0.67	0.80
CFPS before dividend	2.48	3.16	4.63	3.15	3.79	3.96	1.07	0.69
DPS	3.06	3.51	3.72	4.00	4.00	4.02	0.91	1.00
Dividend yield (%)	10.0 %	9.4 %	10.2 %	9.9 %	9.9 %	10.0 %	10.0 %	9.9 %
EV/EBITDA	10.2	11.8	10.0	10.1	9.7	8.6		
EV/EBIT	13.3	15.9	13.4	13.1	13.3	11.8		
P/E, adj.	17.4	18.2	15.7	13.2	11.0	10.0		
P/B	2.4	3.3	2.3	1.9	2.0	2.0		
ROE	15 %	17 %	17 %	17 %	18 %	20 %		
ROCE	12 %	11 %	11 %	10 %	9 %	10 %		
NIBD/EBITDA	3.9	4.4	4.2	3.9	3.9	4.3		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Cur.	Prev.	Cur.	Prev.	Cur.	Prev.	2014	2015	2015
Revenues	4,972	4,988	5,907	5,859	6,734	6,685	0 %	1 %	1 %
EBITDA	3,114	3,134	3,223	3,185	3,651	3,613	-1 %	1 %	1 %
EBIT	2,388	2,408	2,353	2,316	2,655	2,617	-1 %	2 %	1 %
Pre-tax profit	4,476	4,581	2,049	2,100	2,284	2,344	-2 %	-2 %	-3 %
EPS, rep.	8.98	9.19	3.67	3.79	4.04	4.17	-2 %	-3 %	-3 %
EPS, adj.	3.05	3.26	3.67	3.79	4.04	4.17	-6 %	-3 %	-3 %
DPS	4.00	4.00	4.00	4.00	4.02	4.02	0.0 %	0.0 %	0.0 %
EBITDA per segment									
Floater rigs	2,373	2,390	2,419	2,382	2,711	2,673	-1 %	2 %	1 %
Jackup rigs	737	741	804	804	939	939	0 %	0 %	0 %

- Jupiter contract positively impacts operating earnings estimates
- Some adjustments to “associate” line after the SDLP deconsolidation, while “dividends received” in cash flow estimates from SDLP are raised

Full year and quarterly estimates*

ESTIMATES

P&L	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Revenues	4,193	4,478	5,282	4,972	5,907	6,734	1,091	1,214	1,265	1,268	1,280	1,469	1,221	1,190	1,222	1,338	1,399	1,438
EBITDA 12m roll	7 %	5 %	14 %	-6 %	21 %	14 %	5 %	8 %	17 %	5 %	13 %	21 %	-9 %	-4 %	-5 %	-9 %	20 %	22 %
EBITDA	2,338	2,407	2,809	3,114	3,223	3,651	574	603	713	665	663	768	624	649	674	727	760	779
EBITDA margin (%)	56 %	54 %	53 %	63 %	55 %	54 %	53 %	50 %	56 %	52 %	52 %	52 %	51 %	55 %	55 %	54 %	54 %	54 %
EBIT	1,798	1,793	2,098	2,388	2,353	2,655	412	441	552	507	471	568	450	477	494	526	553	565
EBIT margin (%)	44 %	42 %	43 %	52 %	43 %	42 %	39 %	39 %	46 %	44 %	40 %	42 %	37 %	43 %	44 %	42 %	42 %	42 %
Pre-tax profit	1,693	1,438	2,940	4,476	2,049	2,284	254	106	484	1,799	375	282	363	434	443	470	481	487
Pre-tax margin (%)	41 %	33 %	60 %	98 %	37 %	36 %	24 %	9 %	41 %	157 %	32 %	21 %	30 %	39 %	39 %	38 %	37 %	36 %
E(Net profit), adj	1,441	1,148	2,653	4,213	1,723	1,896	188	17	409	1,727	286	231	302	373	380	392	406	414
Net margin (%)	34 %	26 %	50 %	85 %	29 %	28 %	17 %	1 %	32 %	136 %	22 %	16 %	25 %	31 %	31 %	29 %	29 %	29 %
Balance	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash and cash equivalents	715	502	912	553	452	423	669	502	502	661	795	912	1,118	973	866	553	533	517
Other current assets	1,252	1,853	1,922	2,992	3,102	3,226	1,629	1,853	1,848	2,317	1,767	1,922	2,913	2,917	2,939	2,992	3,018	3,042
Rigs, machinery and equipment	13,754	14,776	20,612	19,532	21,521	22,971	14,585	14,776	15,400	16,415	19,678	20,612	17,080	17,830	18,136	19,532	20,118	20,276
Other non-current assets	2,583	2,502	2,854	6,380	6,380	6,380	2,596	2,502	3,456	2,408	2,739	2,854	6,380	6,380	6,380	6,380	6,380	6,380
Total assets	18,304	19,633	26,300	29,456	31,455	32,999	19,479	19,633	21,206	21,801	24,979	26,300	27,491	28,101	28,321	29,456	30,048	30,215
Short term interest bearing liabilities	1,419	2,066	1,566	1,662	1,662	1,662	1,523	2,066	2,598	2,873	2,645	1,566	1,662	1,662	1,662	1,662	1,662	1,662
Long-term interest bearing debt	9,009	9,630	13,315	13,792	15,921	17,395	9,731	9,630	8,818	9,151	10,717	13,315	11,628	12,289	12,598	13,792	14,442	14,663
Other short term liabilities	1,352	1,495	2,259	2,746	2,766	2,788	1,373	1,495	2,184	1,524	2,994	2,259	2,732	2,731	2,734	2,746	2,752	2,755
Other long term liabilities	222	365	958	796	796	796	285	365	1,076	413	857	958	796	796	796	796	796	796
Total liabilities	12,002	13,556	18,098	18,996	21,145	22,641	12,912	13,556	14,676	13,961	17,213	18,098	16,818	17,478	17,790	18,996	19,651	19,876
Minorities	325	693	690	605	660	755	450	693	639	425	628	690	587	588	589	605	614	622
Equity	5,977	5,384	7,512	9,856	9,650	9,604	6,117	5,384	5,891	7,415	7,138	7,512	10,086	10,035	9,942	9,856	9,783	9,717
Equity share (%)	34 %	31 %	31 %	36 %	33 %	31 %	34 %	31 %	31 %	36 %	31 %	31 %	39 %	38 %	37 %	36 %	35 %	34 %
NIBD	9,463	10,976	13,819	14,756	16,984	18,488	10,354	11,039	11,674	11,186	13,613	13,874	12,449	12,832	13,247	14,756	15,425	15,662
Cash flow	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash earnings	2,068	1,873	3,497	4,948	2,560	2,868	376	213	601	1,908	507	481	3,268	536	551	592	604	616
Operating cash flow	1,815	1,591	1,696	2,384	2,569	2,888	413	241	423	248	533	492	656	601	554	573	608	620
Net capex	-2,298	-1,557	-4,225	-3,746	-2,859	-2,445	-336	-223	-334	-1,332	-984	-1,575	-742	-923	-485	-1,597	-792	-372
Investments in associates	-287	-153	-151	-342	0	0	-6	-79	-99	-5	-120	73	-342	0	0	0	0	0
Free cash flow after investments	-818	231	-1,268	348	-289	442	111	-130	-651	878	-520	-975	1,624	-321	69	-1,024	-184	248
Net debt repayments	1,813	725	2,784	1,515	2,128	1,475	961	-70	519	155	531	1,579	-649	661	309	1,194	650	221
Equity issue / dividend	-1,117	-1,828	-991	-1,798	-1,939	-1,946	-410	-722	-16	-424	-452	-99	-345	-484	-484	-484	-485	-485
Free cash flow	-273	-164	426	-397	-100	-29	242	-200	43	76	114	193	168	-145	-106	-314	-19	-16

Source: Sadrill / Fondsinans Research. * Figures from 1Q14 are exclusive of Sadrill Partners above EBIT

Segmental details (1/2)*

ESTIMATES

REVENUES	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	2,611	2,749	3,410	3,168	3,998	4,551	674	700	757	805	867	981	787	761	751	870	928	969
Jackup rigs	781	821	1,132	1,407	1,519	1,763	203	233	256	262	283	331	305	342	383	377	378	372
Tender rigs	576	723	350	0	0	0	178	193	182	78	38	52	0	0	0	0	0	0
Well Services	128	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum of contract revenues	4,096	4,294	4,892	4,575	5,518	6,314	1,056	1,126	1,195	1,145	1,188	1,364	1,092	1,103	1,134	1,246	1,305	1,342
Reimbursables	96	180	278	151	182	208	33	85	64	110	55	49	36	36	37	41	43	44
Other	1	4	112	246	207	211	2	3	6	13	37	56	93	51	51	51	51	52
Total operating revenues	4,193	4,478	5,282	4,972	5,907	6,734	1,091	1,214	1,265	1,268	1,280	1,469	1,221	1,190	1,222	1,338	1,399	1,438
OPEX*	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	-799	-959	-1,337	-1,253	-1,612	-1,872	-254	-243	-291	-297	-357	-392	-317	-290	-296	-350	-376	-398
Jackup rigs	-387	-385	-562	-594	-639	-746	-97	-121	-173	-111	-122	-156	-135	-149	-152	-158	-156	-154
Tender rigs	-260	-314	-139	-40	0	0	-70	-85	-79	-31	-12	-17	-40	0	0	0	0	0
Well Services	-116	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum Vessel and rig opex	-1,585	-1,656	-1,977	-1,887	-2,251	-2,618	-423	-448	-482	-439	-491	-565	-492	-439	-448	-508	-532	-552
Reimbursables	-90	-165	-257	-133	-160	-186	-30	-78	-59	-100	-48	-50	-32	-32	-33	-36	-38	-39
SG&A	-202	-250	-300	-279	-273	-280	-65	-84	-72	-64	-78	-86	-73	-70	-68	-68	-69	-68
Total opex	-1,877	-2,071	-2,534	-2,299	-2,684	-3,083	-518	-610	-613	-603	-617	-701	-597	-541	-549	-612	-639	-659
EBITDA	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	1,688	1,660	2,002	2,373	2,419	2,711	389	413	434	487	500	581	911	475	460	526	558	580
Jackup rigs	355	370	613	737	804	939	86	90	182	134	141	156	150	174	213	200	202	199
Tender rigs	283	375	194	3	0	0	99	100	97	44	22	31	3	0	0	0	0	0
Well Services	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,338	2,405	2,809	3,114	3,223	3,651	574	603	713	665	663	768	1,064	649	674	727	760	779
DEPR. & AMORT.	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	-358	-411	-531	-513	-642	-731	-107	-109	-117	-118	-146	-150	-127	-117	-124	-145	-152	-159
Jackup rigs	-135	-145	-163	-213	-228	-264	-39	-38	-37	-38	-42	-46	-47	-55	-55	-55	-55	-55
Tender rigs	-62	-57	-17	0	0	0	-15	-15	-7	-2	-4	-4	0	0	0	0	0	0
Well Services	-7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	-562	-614	-711	-726	-870	-995	-161	-163	-161	-158	-192	-200	-174	-173	-179	-200	-207	-214

Source: Seadrill / Fondsinans Research. * Figures from 1Q14 are exclusive of Seadrill Partners above EBIT

Segmental details (2/2)*

ESTIMATES

OPERATING PROFIT*	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	1,330	1,249	1,471	1,860	1,777	1,980	282	304	317	369	354	431	784	358	336	382	407	421
Jackup rigs	220	225	450	525	576	675	47	52	145	96	99	110	103	119	158	145	147	144
Tender rigs	221	318	177	3	0	0	84	85	90	42	18	27	3	0	0	0	0	0
Well Services	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,776	1,793	2,098	2,388	2,353	2,655	412	441	552	507	471	568	890	477	494	526	553	565

*ex. other gains / losses

AVERAGE DAYRATES (USD)	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	545	531	530	526	520	514	529	530	531	531	519	540	544	544	504	511	525	520
Jackup rigs	146	162	171	187	190	187	163	163	167	172	170	174	177	190	191	191	194	190
Tender rigs	135	144	74	0	0	0	144	142	144	151	0	0	0	0	0	0	0	0
Total	261	272	299	337	353	347	274	273	276	273	318	328	337	341	328	344	356	355

AVERAGE UTILIZATION (%)	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	92 %	88 %	94 %	94 %	93 %	93 %	82 %	86 %	92 %	94 %	94 %	94 %	91 %	94 %	95 %	95 %	93 %	93 %
Jackup rigs	24 %	89 %	98 %	95 %	94 %	95 %	83 %	94 %	99 %	98 %	97 %	98 %	97 %	94 %	95 %	95 %	94 %	94 %
Tender rigs	24 %	98 %	97 %	24 %	0 %	0 %	98 %	98 %	99 %	96 %	98 %	95 %	95 %	0 %	0 %	0 %	0 %	0 %
Total	93 %	90 %	95 %	94 %	93 %	93 %	85 %	90 %	95 %	95 %	95 %	95 %	93 %	94 %	95 %	95 %	93 %	93 %

AVERAGE OPEX (USD '000)	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	161	169	174	173	182	186	171	172	175	175	176	170	172	177	169	173	182	182
Jackup rigs	63	67	67	70	74	74	67	67	65	71	65	66	61	71	72	74	75	74
Tender rigs	71	77	36	0	0	0	77	78	75	67	0	0	0	0	0	0	0	0
Total	94	101	106	115	127	129	103	103	102	101	112	110	110	116	115	122	127	128

NUMBER OF RIGS	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Floater rigs	11	12	14	18	23	27	12	12	12	12	14	16	17	17	18	21	22	23
Jackup rigs	16	16	18	23	24	28	16	16	16	16	19	22	22	23	23	23	23	23
Tender rigs	10	10	6	0	0	0	10	10	10	12	0	0	0	0	0	0	0	0
Total	36	38	37	41	47	54	38	38	38	40	33	38	39	40	41	44	45	46

Source: Seadrill / Fondsinans Research. * Figures from 1Q14 are exclusive of Seadrill Partners above EBIT



Synergies materializing, contract for Sevan Developer key value enabler

Sevan Drilling – 1Q14 Update

Recommendation: NEUTRAL – Target: NOK 3.90

10-Jul-2014 Prepared by analyst: Ivar Andreas Lemmechen Gjøl, Fondsfianans AS, tel: +47 23113024, e-mail: iag@fondsfianans.no

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Synergies materializing, contract for Sevan Developer key value enabler

SEVAN DRILLING

NEUTRAL / TARGET NOK 3.90

Estimate summary

Key figures (USDm)	2011	2012	2013	2014E	2015E	2016E	Q213	Q214E
Revenues	141.8	173.6	257.8	368.3	582.9	606.0	66.1	82.7
EBITDA	47.6	54.7	57.6	168.6	310.6	328.6	22.4	34.2
EBIT	13.8	11.5	-6.4	87.1	192.2	210.2	7.4	12.0
PTP	-46.5	-31.0	-91.8	28.7	121.2	147.7	-33.2	-2.3
EPS, rep	-0.15	-0.03	-0.26	0.04	0.19	0.23	0.00	-0.01
EPS, adj.	-0.09	-0.02	-0.10	0.05	0.19	0.23	0.00	0.00
(Op.CF - capex) / share	-1.17	-0.29	-1.01	-0.67	0.28	0.37	0.00	-0.01
CFPS	0.04	-0.33	0.09	-0.10	-0.05	0.05	0.00	-0.02
EV/EBITDA (static)	20.2	18.6	28.9	9.3	5.1	4.8		
EV/EBIT (static)	69.6	88.5	-260.3	18.1	8.2	7.5		
P/E, adj.	-9.4	-35.9	-7.3	12.1	3.0	2.4		
P/B		0.4	0.6	0.5	0.4	0.3		
ROE	na	-1 %	-9 %	4 %	15 %	16 %		
ROCE	na	1 %	0 %	4 %	8 %	9 %		
NIBD/EBITDA	14.1	14.3	21.5	9.7	4.7	3.8		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2016
Revenues	368	373	583	583	606	606	-1 %	0 %	0 %
EBITDA	169	176	311	312	329	330	-4 %	0 %	0 %
Operating profit	87	95	192	193	210	211	-8 %	-1 %	-1 %
Pre-tax profit	29	36	121	122	148	149	-21 %	-1 %	-1 %
EPS, rep.	0.04	0.05	0.19	0.19	0.23	0.23	-26 %	-1 %	-1 %
EPS, adj.	0.05	0.06	0.19	0.19	0.23	0.23	-22 %	-1 %	-1 %

- Slight adjustment to 2Q14 estimate on start-up time for Sevan Louisiana

P&L, balance and cash flow

ESTIMATES

P&L	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Revenues	142	174	258	368	583	606	58	58	58	66	66	68	60	83	111	114	129	150	152	152
Revenue growth YoY (%)		22 %	49 %	43 %	58 %	4 %	59 %	52 %	86 %	148 %	14 %	17 %	4 %	25 %	68 %	69 %	115 %	82 %	36 %	33 %
EBITDA	48	55	58	169	311	329	24	23	11	22	19	6	16	34	60	58	62	83	83	83
EBITDA margin (%)	34 %	32 %	22 %	46 %	53 %	54 %	40 %	40 %	19 %	34 %	28 %	8 %	26 %	41 %	54 %	51 %	48 %	55 %	55 %	54 %
EBIT	14	12	-6	87	192	210	11	8	-4	7	0	-10	1	12	38	36	33	53	53	53
EBIT margin (%)	10 %	7 %	-2 %	24 %	33 %	35 %	18 %	14 %	-7 %	11 %	0 %	-14 %	1 %	14 %	34 %	32 %	25 %	35 %	35 %	35 %
Pre-tax profit	-47	-31	-92	29	121	148	-5	-7	-22	-33	-11	-25	-11	-2	24	18	14	35	36	36
Pre-tax margin (%)	-33 %	-18 %	-36 %	8 %	21 %	24 %	-8 %	-11 %	-39 %	-50 %	-17 %	-37 %	-18 %	-3 %	22 %	15 %	11 %	23 %	24 %	24 %
Net profit	-50	-12	-153	22	112	138	2	-2	-24	-35	-66	-27	-10	-5	22	15	12	33	34	34
Net margin (%)	-35 %	-7 %	-59 %	6 %	19 %	23 %	4 %	-3 %	-42 %	-54 %	-100 %	-40 %	-17 %	-6 %	20 %	13 %	9 %	22 %	22 %	22 %
Balance	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Cash and cash equivalents	189	77	129	71	42	70	78	77	150	117	92	129	46	35	38	71	31	38	47	42
Other current assets	36	56	59	112	148	149	57	56	62	72	66	59	52	81	109	112	126	147	148	148
Rigs, machinery and equipment	1,319	1,500	1,917	2,341	2,265	2,176	1,496	1,500	1,490	1,479	1,471	1,917	1,930	1,913	1,897	2,341	2,333	2,310	2,288	2,265
Other non-current assets	56	86	60	81	81	81	78	86	90	88	34	60	81	81	81	81	81	81	81	81
Total assets	1,600	1,720	2,164	2,604	2,537	2,476	1,709	1,720	1,793	1,756	1,663	2,164	2,109	2,110	2,124	2,604	2,570	2,575	2,564	2,537
Short term interest bearing liabilities	77	141	173	134	134	134	118	141	104	112	122	173	134	134	134	134	134	134	134	134
Long-term interest bearing debt	784	718	1,196	1,577	1,382	1,187	753	718	692	703	674	1,196	1,182	1,177	1,142	1,577	1,532	1,487	1,442	1,382
Other short term liabilities	40	126	111	191	212	213	145	126	154	144	140	111	119	132	160	191	192	210	212	212
Other long term liabilities	26	73	0	-4	-8	-13	29	73	26	15	15	0	0	-1	-2	-4	-5	-6	-7	-8
Total liabilities	928	1,057	1,481	1,898	1,719	1,520	1,045	1,057	975	974	951	1,481	1,435	1,441	1,434	1,898	1,852	1,825	1,780	1,719
Equity	672	662	684	706	818	956	664	662	818	781	712	684	674	669	691	706	718	750	784	818
Equity share (%)	42 %	39 %	32 %	27 %	32 %	39 %	39 %	39 %	46 %	45 %	43 %	32 %	32 %	32 %	33 %	27 %	28 %	29 %	31 %	32 %
NIBD	673	782	1,241	1,640	1,474	1,251	793	782	645	699	704	1,241	1,270	1,276	1,238	1,640	1,635	1,583	1,529	1,474
Cash flow	2011	2012	2013	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
Cash earnings	-16	32	-89	100	225	252	15	14	-9	-20	-47	-12	5	16	43	36	40	61	62	62
Operating cash flow	31	6	-20	100	209	252	7	-2	-5	-5	-4	-5	-8	0	43	64	26	59	62	62
Net capex	-427	-105	-584	-497	-43	-29	30	15	-39	-13	-1	-532	-20	-5	-5	-466	-21	-7	-7	-7
Free cash flow after investments	-396	-99	-603	-398	166	223	36	13	-44	-18	-5	-536	-28	-6	38	-402	5	52	55	55
Net debt repayments	62	-13	477	340	-195	-195	-14	-15	-61	-16	-20	574	-55	-5	-35	435	-45	-45	-45	-60
Equity issue / dividend	348	0	179	0	0	0	0	0	179	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	14	-112	52	-58	-29	28	22	-2	73	-34	-25	37	-83	-11	3	33	-40	7	10	-5

Segmental figures

ESTIMATES

REVENUES	2011	2012	2013	2014E	2015E	2016E
Sevan Driller	144	140	137	142	143	143
Sevan Brasil	0	31	116	133	135	135
Sevan Louisiana	0	0	0	100	177	177
Sevan Developer	0	0	0	0	129	150
Sevan rig 5	0	0	0	0	0	0
Sevan rig 6	0	0	0	0	0	0
Total contract revenues	144	171	254	375	583	606

EBITDA	2011	2012	2013	2014E	2015E	2016E
Sevan Driller	82	80	71	74	75	74
Sevan Brasil	0	2	53	67	67	66
Sevan Louisiana	0	0	0	54	121	121
Sevan Developer	0	0	0	-5	62	82
Sevan rig 5	0	0	0	0	0	0
Sevan rig 6	0	0	0	0	0	0
EBITDA from rig operations	82	82	124	191	325	343

AVERAGE DAYRATES ('000)	2011	2012	2013	2014E	2015E	2016E
Sevan Driller	415	416	418	419	420	422
Sevan Brasil	0	197	393	394	396	398
Sevan Louisiana	0	0	0	503	504	506
Sevan Developer	0	0	0	0	426	433
Sevan rig 5	0	0	0	0	0	0
Sevan rig 6	0	0	0	0	0	0
Average dayrates	415	306	405	439	437	440

AVERAGE OPEX PER DAY ('000)	2011	2012	2013	2014E	2015E	2016E
Sevan Driller	170	165	183	185	187	191
Sevan Brasil	0	78	174	182	186	189
Sevan Louisiana	0	0	0	124	152	155
Sevan Developer	0	0	0	13	183	185
Sevan rig 5	0	0	0	0	0	0
Sevan rig 6	0	0	0	0	0	0
Total	170	121	178	126	177	180

AVERAGE UTILIZATION (%)	2011	2012	2013	2014E	2015E	2016E
Sevan Driller	95 %	92 %	92 %	96 %	96 %	96 %
Sevan Brasil	0 %	21 %	83 %	96 %	96 %	96 %
Sevan Louisiana	0 %	0 %	0 %	54 %	96 %	96 %
Sevan Developer	0 %	0 %	0 %	0 %	83 %	95 %
Sevan rig 5	0 %	0 %	0 %	0 %	0 %	0 %
Sevan rig 6	0 %	0 %	0 %	0 %	0 %	0 %
Total	95 %	57 %	88 %	82 %	93 %	96 %

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
37	37	36	32	36	34	34	36	36	36	35	36	36	36
14	16	16	33	34	33	32	33	34	34	33	34	34	34
0	0	0	0	0	0	0	14	42	44	44	44	45	45
0	0	0	0	0	0	0	0	0	0	17	37	37	37
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
58	53	52	65	69	67	67	83	111	114	129	150	152	152

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
22	21	20	15	19	17	17	19	19	19	19	18	19	19
-1	3	1	17	18	17	16	17	17	17	17	17	17	17
0	0	0	0	0	0	-7	3	28	31	30	30	30	30
0	0	0	0	0	0	0	0	0	-5	1	20	20	20
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	24	21	32	36	34	27	39	64	62	66	86	86	86

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
417	417	417	418	418	418	418	419	419	419	419	421	421	421
393	393	393	393	393	393	393	395	395	395	395	397	397	397
0	0	0	0	0	0	503	503	503	503	504	504	504	504
0	0	0	0	0	0	0	0	0	0	426	426	426	426
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
405	405	405	406	406	406	438	439	439	439	436	437	437	437

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
165	166	178	184	188	180	188	185	184	184	184	189	188	187
165	145	165	179	172	180	180	180	184	184	184	184	188	187
0	0	0	0	0	0	75	120	150	150	150	150	153	153
0	0	0	0	0	0	0	0	0	50	183	183	183	183
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
165	156	172	182	180	180	148	162	173	142	175	176	178	178

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E	Q315E	Q415E
97 %	96 %	96 %	87 %	96 %	90 %	94 %	96 %	96 %	96 %	96 %	96 %	96 %	96 %
40 %	45 %	45 %	96 %	96 %	95 %	94 %	96 %	96 %	96 %	96 %	96 %	96 %	96 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	30 %	90 %	96 %	96 %	96 %	96 %	96 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	45 %	95 %	95 %	95 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
69 %	70 %	70 %	92 %	96 %	93 %	94 %	74 %	94 %	96 %	83 %	96 %	96 %	96 %

RIG SECTOR – 2Q14 PREVIEW: SEVAN DRILLING



Valuation impacted by weaker NCS outlook

SONGA – 1Q14 Update

Recommendations:

- Equity rating: NEUTRAL – Target price: NOK 2.40 (2.50)
- Credit rating: BUY – Bond rating: B

10-Jul-2014 Prepared by analyst: Ivar Andreas Lemmechen Gjøl, Fondsfinsans AS, tel: +47 23113024, e-mail: iag@fondsfinsans.no

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Valuation impacted by weaker NCS outlook

SONGA OFFSHORE

NEUTRAL / TARGET NOK 2.40 (2.50)

Estimate summary

Key figures (USDm)	2011	2012	2013E	2014E	2015E	2016E	Q213	Q214E
Revenues	522	585	562	496	631	1,016	143	125
EBITDA	196	198	213	162	250	464	52	46
EBIT	103	-256	1	16	111	266	14	11
PTP	75	-295	-82	-12	55	162	5	4
EPS, rep	0.70	-1.49	-0.07	-0.02	0.06	0.18	0.00	0.00
EPS, adj.	0.71	0.09	-0.18	-0.03	0.01	0.18	0.00	-0.01
(Op.CF - capex) / share	-4.06	-2.09	-0.19	-0.10	-2.28	0.18	0.00	0.01
CFPS	-0.31	-0.21	0.46	-0.35	0.05	-0.07	0.00	0.10
EV/EBITDA	8.1	6.2	6.9	8.9	5.8	3.1		
EV/EBIT	15.4	-4.8	1,717.3	91.5	13.0	5.4		
P/E, adj.	4.7	9.8	-2.8	-13.1	34.3	2.5		
P/B	0.5	0.2	0.4	0.4	0.3	0.3		
ROE	11 %	2 %	-14 %	-3 %	1 %	13 %		
ROCE	6 %	-12 %	0 %	1 %	4 %	7 %		
NIBD/EBITDA	5.2	5.3	2.4	2.8	9.7	4.9		

Estimate changes

ESTIMATE CHANGES	2014E		2015E		2016E		Change %		
	Curr.	Prev.	Curr.	Prev.	Curr.	Prev.	2014	2015	2016
Revenues	496	496	631	632	1,016	1,023	0 %	0 %	-1 %
EBITDA	162	162	250	251	464	470	0 %	-1 %	-1 %
Operating profit	16	16	111	112	266	273	0 %	-1 %	-2 %
Pre-tax profit	-12	-12	55	57	162	168	n.m.	-2 %	-4 %
EPS, rep.	-0.02	-0.02	0.06	0.06	0.18	0.18	n.m.	-2 %	-4 %

P&L, Balance sheet and cash flow

ESTIMATES

P&L	2011	2,012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Revenues	522	585	562	496	631	1,016	151	139	134	143	131	154	155	125	101	115	113	140
Revenue growth, yoy (%)	-19 %	11 %	-10 %	-14 %	31 %	74 %	1 %	40 %	-5 %	-16 %	-22 %	4 %	9 %	-13 %	-24 %	-28 %	-28 %	13 %
EBITDA	196	198	213	162	250	464	57	42	50	52	51	60	65	46	19	31	30	57
EBITDA margin (%)	39 %	35 %	42 %	37 %	44 %	47 %	39 %	31 %	40 %	41 %	44 %	43 %	48 %	42 %	22 %	31 %	31 %	45 %
EBIT	103	-256	1	16	111	266	-93	-201	19	14	16	-49	11	11	-9	3	6	21
EBIT margin (%)	20 %	-46 %	0 %	4 %	20 %	27 %	-64 %	-150 %	16 %	11 %	14 %	-35 %	8 %	10 %	-11 %	3 %	6 %	17 %
Pre-tax profit	75	-295	-82	-12	55	162	-106	-213	11	5	8	-106	3	4	-16	-4	-1	10
Pre-tax margin (%)	15 %	-52 %	-16 %	-3 %	10 %	16 %	-73 %	-159 %	9 %	4 %	7 %	-75 %	3 %	4 %	-18 %	-4 %	-1 %	8 %
Net profit	117	-305	-117	-14	52	154	-108	-219	9	4	6	-137	1	4	-15	-4	-1	9
Net margin (%)	22 %	-52 %	-21 %	-3 %	8 %	15 %	-72 %	-157 %	7 %	3 %	5 %	-89 %	1 %	3 %	-15 %	-3 %	-1 %	7 %
Balance	2011	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash and cash equivalents	79	38	440	128	168	105	194	38	148	105	93	440	297	382	265	128	159	135
Other current assets	175	710	121	288	347	392	798	710	127	103	128	121	280	293	279	288	288	304
Rigs, machinery and equipment	2,078	1,879	1,811	1,555	3,505	3,482	1,909	1,879	1,913	1,904	1,896	1,811	1,614	1,484	1,563	1,555	2,003	2,511
Other non-current assets	103	103	77	55	55	55	103	103	103	103	103	77	55	55	55	55	55	55
Total assets	2,435	2,730	2,450	2,026	4,074	4,034	3,004	2,730	2,291	2,215	2,220	2,450	2,246	2,213	2,162	2,026	2,504	3,004
Short term interest bearing liabilities	203	99	218	167	167	167	88	99	130	157	164	218	167	167	167	167	167	167
Long-term interest bearing debt	902	993	742	416	2,427	2,207	1,011	993	949	864	831	742	593	555	541	416	908	1,401
Other short term liabilities	167	686	158	194	188	214	727	686	174	143	162	158	186	200	190	194	192	190
Other long term liabilities	4	13	244	177	162	162	8	13	88	94	104	244	212	200	189	177	165	165
Total liabilities	1,275	1,790	1,361	954	2,944	2,750	1,835	1,790	1,342	1,258	1,261	1,361	1,159	1,122	1,086	954	1,433	1,923
Equity	1,160	949	1,117	1,095	1,148	1,301	1,169	949	952	957	959	1,117	1,111	1,115	1,099	1,095	1,095	1,104
Equity share (%)	48 %	35 %	45 %	53 %	28 %	32 %	39 %	35 %	42 %	43 %	43 %	45 %	49 %	50 %	50 %	53 %	43 %	36 %
NBD	1,026	1,054	520	455	2,426	2,269	905	1,054	931	916	902	520	463	340	443	455	917	1,434
Cash flow	2011	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Cash earnings	117	-305	-117	-49	6	154	-108	-219	9	4	6	-137	1	-8	-27	-16	-12	-2
Operating cash flow	174	386	39	85	118	332	329	75	-27	32	34	0	45	28	5	8	10	27
Net capex	-947	-810	383	-60	-2,089	-175	-373	-220	452	-46	-16	-7	-28	95	-108	-20	-472	-544
Free CF after investments	-773	-424	422	25	-1,971	157	-44	-144	425	-14	18	-7	17	123	-103	-12	-462	-517
Net debt repayments	706	273	-255	-352	2,011	-220	98	-12	-312	-29	-29	115	-175	-38	-14	-125	493	493
Equity issue / dividend	0	108	236	25	0	0	0	0	0	0	0	236	25	0	0	0	0	0
Free cash flow	-53	-43	403	-302	40	-63	55	-157	113	-43	-11	344	-133	85	-117	-137	31	-24

Revenue, opex and EBITDA per rig

ESTIMATES

REVENUES	2011	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Songa Mercur	49	68	80	22	0	0	15	26	24	20	16	20	15	7	0	0	0	0
Songa Venus	45	85	69	46	20	0	21	21	20	12	19	18	19	7	10	10	10	10
Songa Dee	138	116	124	105	120	129	34	31	30	31	31	31	31	32	11	32	24	32
Songa Delta	135	116	129	121	129	104	23	17	33	32	32	32	31	32	33	25	32	32
Songa Trym	136	109	112	131	131	114	32	10	14	32	33	33	32	33	33	33	32	33
Songa Eclipse	0	80	0	0	0	0	27	35	0	0	0	0	0	0	0	0	0	0
Songa Equinox (Cat D - 1)	0	0	0	0	95	166	0	0	0	0	0	0	0	0	0	0	0	17
Songa Endurance (Cat D -2)	0	0	0	0	53	167	0	0	0	0	0	0	0	0	0	0	0	0
Songa Encourage (Cat D - 3)	0	0	0	0	18	161	0	0	0	0	0	0	0	0	0	0	0	0
Songa Enabler (Cat D - 4)	0	0	0	0	0	145	0	0	0	0	0	0	0	0	0	0	0	0
Total contract revenues	504	575	514	426	567	987	153	139	122	127	131	134	128	110	87	100	98	125
OPEX	2011	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Songa Mercur	-36	-38	-50	-10	0	0	-6	-16	-15	-17	-7	-10	-7	-3	0	0	0	0
Songa Venus	-39	-34	-34	-57	-28	0	-8	-8	-8	-9	-8	-9	-7	-12	-19	-19	-18	-9
Songa Dee	-63	-69	-64	-64	-65	-66	-16	-20	-16	-15	-16	-17	-17	-16	-16	-16	-16	-16
Songa Delta	-66	-67	-67	-65	-65	-66	-14	-13	-18	-17	-15	-17	-16	-16	-16	-16	-16	-16
Songa Trym	-77	-58	-65	-65	-65	-66	-16	-7	-10	-17	-18	-19	-17	-16	-16	-16	-16	-16
Songa Eclipse	0	-66	0	0	0	0	-27	-19	0	0	0	0	0	0	0	0	0	0
Songa Equinox (Cat D - 1)	0	0	0	0	-45	-70	0	0	0	0	0	0	0	0	0	0	0	-9
Songa Endurance (Cat D -2)	0	0	0	0	-33	-70	0	0	0	0	0	0	0	0	0	0	0	0
Songa Encourage (Cat D - 3)	0	0	0	0	-11	-70	0	0	0	0	0	0	0	0	0	0	0	0
Songa Enabler (Cat D - 4)	0	0	0	0	0	-63	0	0	0	0	0	0	0	0	0	0	0	0
Total opex	-282	-333	-279	-261	-311	-472	-86	-83	-67	-75	-66	-72	-63	-63	-67	-67	-67	-67
EBITDA	2011	2012	2013E	2014E	2015E	2016E	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
Songa Mercur	13	29	30	12	0	0	9	9	9	3	9	9	8	4	0	0	0	0
Songa Venus	6	51	35	-11	-8	0	14	13	12	3	11	9	12	-6	-9	-9	-8	1
Songa Dee	75	47	60	41	55	62	18	11	14	16	15	14	15	16	-5	16	8	16
Songa Delta	69	49	62	57	64	37	9	4	16	14	17	15	15	16	16	9	16	16
Songa Trym	59	51	47	66	66	48	17	3	5	15	14	14	15	17	17	17	16	17
Songa Eclipse	0	14	0	0	0	0	0	16	0	0	0	0	0	0	0	0	0	0
Songa Equinox (Cat D - 1)	0	0	0	0	51	97	0	0	0	0	0	0	0	0	0	0	0	8
Songa Endurance (Cat D -2)	0	0	0	0	20	97	0	0	0	0	0	0	0	0	0	0	0	0
Songa Encourage (Cat D - 3)	0	0	0	0	7	91	0	0	0	0	0	0	0	0	0	0	0	0
Songa Enabler (Cat D - 4)	0	0	0	0	0	82	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA from rig operations	222	242	235	165	255	515	67	56	55	52	66	62	65	47	19	33	31	58

RIG SECTOR – 2Q14 PREVIEW: SONGA OFFSHORE

Dayrates, opex per day and utilization

ESTIMATES

AVERAGE DAYRATES ('000)	2011	2012	2013E	2014E	2015E	2016E
Songa Mercur	282	186	265	119	0	0
Songa Venus	210	235	230	223	112	0
Songa Dee	384	351	350	357	362	368
Songa Delta	418	386	364	364	370	374
Songa Trym	377	364	365	372	374	371
Songa Eclipse	0	278	0	0	0	0
Songa Equinox (Cat D - 1)	0	0	0	0	480	475
Songa Endurance (Cat D -2)	0	0	0	0	480	475
Songa Encourage (Cat D - 3)	0	0	0	0	483	478
Songa Enabler (Cat D - 4)	0	0	0	0	0	482
Average dayrates	334	300	315	287	380	432

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
170	280	280	280	250	250	239	239	0	0	0	0
229	229	229	229	230	230	230	220	220	220	223	223
375	340	340	353	353	353	353	358	358	358	358	364
257	374	374	360	360	360	360	365	365	365	365	371
355	355	355	368	368	368	368	374	374	374	374	379
435	435	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	480
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
304	336	316	318	312	312	310	311	329	329	330	363

AVERAGE OPEX ('000)	2011	2012	2013E	2014E	2015E	2016E
Songa Mercur	99	105	136	28	0	0
Songa Venus	108	94	93	155	77	0
Songa Dee	173	189	175	176	179	182
Songa Delta	181	184	185	177	179	182
Songa Trym	212	158	177	179	179	182
Songa Eclipse	0	180	0	0	0	0
Songa Equinox (Cat D - 1)	0	0	0	0	190	194
Songa Endurance (Cat D -2)	0	0	0	0	195	192
Songa Encourage (Cat D - 3)	0	0	0	0	120	192
Songa Enabler (Cat D - 4)	0	0	0	0	0	192
Total	155	152	153	143	160	188

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
66	176	169	187	79	110	77	35	0	0	0	0
82	84	89	95	92	94	74	135	205	205	205	103
172	217	179	161	175	184	180	175	175	175	179	179
154	138	197	191	166	184	182	175	175	175	179	179
170	72	107	190	201	209	190	175	175	175	179	179
292	210	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	100
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
156	150	148	165	143	156	141	139	183	183	185	148

AVERAGE UTILIZATION (%)	2011	2012	2013E	2014E	2015E	2016E
Songa Mercur	48 %	99 %	82 %	26 %	0 %	0 %
Songa Venus	47 %	99 %	83 %	56 %	25 %	0 %
Songa Dee	99 %	90 %	97 %	81 %	91 %	96 %
Songa Delta	84 %	83 %	97 %	91 %	96 %	76 %
Songa Trym	99 %	82 %	84 %	97 %	96 %	85 %
Songa Eclipse	0 %	78 %	0 %	0 %	0 %	0 %
Songa Equinox (Cat D - 1)	0 %	0 %	0 %	0 %	54 %	96 %
Songa Endurance (Cat D -2)	0 %	0 %	0 %	0 %	30 %	96 %
Songa Encourage (Cat D - 3)	0 %	0 %	0 %	0 %	10 %	92 %
Songa Enabler (Cat D - 4)	0 %	0 %	0 %	0 %	0 %	82 %
Total	76 %	89 %	89 %	70 %	57 %	89 %

Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214E	Q314E	Q414E	Q115E	Q215E
99 %	99 %	95 %	80 %	70 %	85 %	70 %	33 %	0 %	0 %	0 %	0 %
100 %	99 %	99 %	57 %	90 %	85 %	93 %	33 %	50 %	50 %	50 %	50 %
98 %	98 %	98 %	97 %	97 %	97 %	97 %	97 %	33 %	97 %	75 %	96 %
99 %	48 %	99 %	97 %	97 %	97 %	97 %	97 %	97 %	75 %	96 %	96 %
99 %	30 %	44 %	97 %	97 %	97 %	97 %	97 %	97 %	97 %	96 %	96 %
68 %	88 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	40 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
94 %	77 %	87 %	85 %	90 %	92 %	91 %	71 %	69 %	80 %	79 %	76 %

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We rate the drilling sector in general HIGH risk

RISK ASSESSMENT

- **Market balance:** The drilling market has been volatile and changes in the balance between supply and demand could result in significant changes in the pricing of drilling services in the future. Our estimates are based on gradual return to price levels which would imply a return to mid-cycle ROCE levels.
- **Market risk:** We rate it high risk. The current risk for oversupply in the drilling markets could have further negative impact on sector company earnings than already estimated.
- **Counterparty risk:** Our valuation is based on the assumption that the contracts already entered are safe. If counterparties fail to meet their obligations, the drilling companies may suffer losses. Based on our assessment of the companies' customer portfolio, we consider this risk to be relative small for the companies.

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Definitions of ratings

Buy Low risk: with a potential of min 5%. Medium risk: with a potential of min 10%. High risk: with a potential of min 20%.

Neutral Low risk: -5% to +5%. Medium risk: -10% to +10%. High risk: -20% to +20%.

Sell Low risk: min 5%. Medium risk: min 10%. High risk: min 20%.

Risk ratings are based on price volatility, fundamental criteria and perceived risk. Ratings are: Low (L), Medium (M) and High (H).

Target: Our valuation as of today.

Time frame of target: Target is what we value the share as of today.

Recommendation distribution as of 09.07.14:

Recommendation	No	Percent
Buy	44	67 %
Neutral	18	27 %
Sell	4	6 %
Total	66	100 %

Companies in each recommendation category that have been investment banking clients over the past 12 months:

Recommendation	No	Percent
Buy	1	2 %
Neutral	1	6 %
Sell	0	0 %
Total	2	

Our intention is to issue preview and update research on a quarterly basis.

Our investment recommendation is elaborated in accordance with "The Norwegian Securities Dealers Associations" standards.

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