

# HELMERICH & PAYNE, INC.

## **FORM 8-K** (Current report filing)

Filed 05/02/16 for the Period Ending 05/02/16

|             |   |
|-------------|---|
| Address     | 1437 S. BOULDER AVE. SUITE 1400<br>TULSA, OK, 74119 |
| Telephone   | 918-742-5531  |
| CIK         | 0000046765  |
| Symbol      | HP  |
| SIC Code    | 1381 - Drilling Oil and Gas Wells                   |
| Industry    | Oil & Gas Drilling                                  |
| Sector      | Energy  |
| Fiscal Year | 09/30   |

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF EARLIEST EVENT REPORTED: **May 2, 2016**

**HELMERICH & PAYNE, INC.**

(Exact name of registrant as specified in its charter)

State of Incorporation: **Delaware**

COMMISSION FILE NUMBER **1-4221**

Internal Revenue Service — Employer Identification No. **73-0679879**

**1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119**  
**(918)742-5531**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On May 2, 2016, Helmerich & Payne, Inc. (“Registrant”) issued a press release announcing its financial results for its second quarter ended March 31, 2016. A copy of the press release is attached as Exhibit 99 to this Report on Form 8-K. This information is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99                 | Helmerich & Payne, Inc. earnings press release dated May 2, 2016 |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly authorized the undersigned to sign this report on its behalf.

HELMERICH & PAYNE, INC.  
(Registrant)

/S/ Jonathan M. Cinocca  
Jonathan M. Cinocca  
Corporate Secretary

DATE: May 2, 2016

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99                 | Helmerich & Payne, Inc. earnings press release dated May 2, 2016 |



## NEWS RELEASE

HELMERICH & PAYNE, INC. / 1437 SOUTH BOULDER AVENUE / TULSA, OKLAHOMA

May 2, 2016

**HELMERICH & PAYNE, INC. ANNOUNCES SECOND QUARTER RESULTS**

Helmerich & Payne, Inc. (NYSE: HP) reported net income of \$21 million (\$0.19 per diluted share) from operating revenues of \$438 million for the second quarter of fiscal 2016, compared to net income of \$154 million (\$1.41 per diluted share, as adjusted) from operating revenues of \$886 million during the second quarter of fiscal 2015, and net income of \$16 million (\$0.15 per diluted share) from operating revenues of \$488 million during the first quarter of fiscal 2016. Included in net income per diluted share for this year's and last year's second fiscal quarters as well as this year's first fiscal quarter are approximately \$0.47, \$0.40, and \$0.10, respectively, of after-tax income related to a combination of select items (including long-term contract early termination compensation from customers) as described in a separate section of this press release.

President and CEO John Lindsay commented, "These are demanding times in the energy service space, and the challenge for many is now one of survival. The U.S. land rig count is comparable to the all-time record lows reached in 1999. Sharp reductions in personnel, expenses, and investments are occurring worldwide, and we expect to see further deterioration in terms of drilling activity during the third fiscal quarter.

"But even if this difficult environment persists, we believe that H&P's competitive and financial positions remain very strong. Our long-term contracts have allowed the Company to remain profitable and protect FlexRig®\* investments. We are able to focus energy on efforts that add value to our customers and will help us to become even more efficient and effective as an organization. Whether we see more declines in activity or a significant improvement in demand, H&P is well positioned to respond. As we have described in the past, our strong and liquid balance sheet, robust backlog, and lower spending requirements should allow us to continue to return cash to shareholders. Our strength is driven by our people, and we appreciate their attitude in the face of this adversity and their dedication to the Company through these difficult times."

**Operating Segment Results**

Segment operating income for the Company's U.S. land operations was \$63 million for the second quarter of fiscal 2016, compared with \$225 million for last year's second fiscal quarter and \$56 million for this year's first fiscal quarter. As compared to the first quarter of fiscal 2016, segment operating income increased as a result of a higher level of early termination revenue during the second fiscal quarter, which was partially offset by lower quarterly levels of activity and rig margins. The number of quarterly revenue days decreased sequentially by approximately 20% to 9,601 days. Excluding the impact of \$2,417 and \$8,287 per day corresponding to revenues from early

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contract terminations during this year's first and second fiscal quarters, respectively, the average rig revenue per day decreased sequentially by \$303 to \$25,931, and the average rig margin per day decreased sequentially by \$1,552 to \$11,792. The average rig expense per day increased sequentially by \$1,249 to \$14,139. Rig utilization for the segment was 31% for this year's second fiscal quarter, compared with 68% and 39% for last year's second fiscal quarter and this year's first fiscal quarter, respectively. At March 31, 2016, the Company's U.S. land segment had approximately 94 contracted rigs generating revenue (including 82 under long-term contracts) and 253 idle rigs.

Segment operating income for the Company's offshore operations was \$3.3 million for the second quarter of fiscal 2016, compared with \$19.0 million (as adjusted) for last year's second fiscal quarter and \$7.7 million for this year's first fiscal quarter. The sequential decrease in operating income was attributable to declines in management contract activity, average daily margins and rig revenue days. The average rig margin per day decreased sequentially from \$7,920 to \$7,346, and quarterly revenue days decreased from 736 days to 691 days during the second fiscal quarter.

The Company's international land operations reported a segment operating loss of \$2.3 million for this year's second fiscal quarter, compared with operating income of \$10.6 million (as adjusted) for last year's second fiscal quarter and an operating loss of \$6.7 million for this year's first fiscal quarter. The sequential improvement in operating results was attributable to a significant currency exchange loss that negatively impacted the first fiscal quarter. The average rig margin per day decreased sequentially from \$11,811 to \$10,487 during the second fiscal quarter. The number of quarterly revenue days decreased sequentially by approximately 7% to 1,307 days.

#### **Drilling Operations Outlook for the Third Quarter of Fiscal 2016**

In the U.S. land segment, the Company expects revenue days (activity) to decrease by roughly 25% to 28% during the third fiscal quarter as compared to the second fiscal quarter of 2016. Excluding any impact from early termination revenue, the average rig revenue per day is expected to be roughly \$25,000, and the corresponding average rig expense per day is expected to decrease to roughly \$13,800. As of today, the U.S. land segment has approximately 84 contracted rigs that are generating revenue (including 77 under term contracts) and 263 idle rigs.

In the offshore segment, the Company expects revenue days to decrease by approximately 8% during the third fiscal quarter as compared to the second fiscal quarter of 2016. The average rig margin per day is expected to be approximately \$8,000 during the third quarter of fiscal 2016.

In the international land segment, the Company expects revenue days to decrease by approximately 3% during the third quarter as compared to the second quarter of fiscal 2016. The average rig margin per day is expected to be roughly \$11,000 during the third quarter of fiscal 2016.

#### **Select Items Included in Net Income (or Loss) per Diluted Share**

Included in net income per diluted share corresponding to the second quarter of fiscal 2016 are approximately \$0.47 of after-tax income related to a combination of the following: \$0.49 of after-tax gains from long-term contract early termination

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compensation from customers; \$0.02 of after-tax gains related to the sale of used drilling equipment; and \$0.04 of losses from discontinued operations.

Included in net income per diluted share corresponding to the second quarter of fiscal 2015 are approximately \$0.40 of after-tax income related to a combination of the following: \$0.44 of after-tax gains from long-term contract early termination compensation from customers; \$0.02 of after-tax gains related to the sale of used drilling equipment; and \$0.06 of after-tax losses from abandonment charges related to the decommissioning of certain (SCR) land rigs and other used drilling equipment.

Included in net income per diluted share corresponding to the first quarter of fiscal 2016 are approximately \$0.10 of after-tax income related to a combination of the following: \$0.17 of after-tax gains from long-term contract early termination compensation from customers; \$0.03 of after-tax gains related to the sale of used drilling equipment; \$0.05 of after-tax losses related to a currency exchange loss; and a negative \$0.05 impact on income tax expense primarily due to a fiscal 2015 adjustment to the Domestic Production Deduction that resulted from a U.S. tax law change in December 2015 extending bonus depreciation allowances that had expired December 31, 2014.

#### About Helmerich & Payne, Inc.

Helmerich & Payne, Inc. is primarily a contract drilling company. As of May 2, 2016, the Company's existing fleet includes 347 land rigs in the U.S., 38 international land rigs, and nine offshore platform rigs. In addition, the Company is scheduled to deliver another three new H&P-designed and operated FlexRigs during this fiscal year, all under long-term contracts with customers. Upon completion of these commitments, the Company's global fleet is expected to have a total of 388 land rigs, including 373 AC drive FlexRigs.

#### Forward-Looking Statements

This release includes "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and such statements are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical facts included in this release, including, without limitation, statements regarding the registrant's future financial position, operations outlook, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. For information regarding risks and uncertainties associated with the Company's business, please refer to the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's SEC filings, including but not limited to its annual report on Form 10-K and quarterly reports on Form 10-Q. As a result of these factors, Helmerich & Payne, Inc.'s actual results may differ materially from those indicated or implied by such forward-looking statements. We undertake no duty to update or revise our forward-looking statements based on changes in internal estimates, expectations or otherwise, except as required by law.

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\*FlexRig® is a registered trademark of Helmerich & Payne, Inc.

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
(in thousands, except per share data)

| CONSOLIDATED STATEMENTS OF<br>INCOME                            | Three Months Ended |                   |                       | Six Months Ended  |                       |
|---|--------------------|-------------------|-----------------------|-------------------|-----------------------|
|   | December 31        | March 31          |                       | March 31          |                       |
|   | 2015               | 2016              | 2015<br>(As adjusted) | 2016              | 2015<br>(As adjusted) |
| <b>Operating Revenues:</b>                                      |                    |                   |                       |                   |                       |
| Drilling — U.S. Land  | \$ 369,805         | \$ 349,283        | \$ 718,463            | \$ 719,088        | \$ 1,608,510          |
| Drilling — Offshore   | 41,880             | 34,325            | 62,428                | 76,205            | 132,315               |
| Drilling — International Land                                   | 72,194             | 51,352            | 101,038               | 123,546           | 197,711               |
| Other   | 3,968              | 3,231             | 3,741                 | 7,199             | 7,921                 |
|   | <u>\$ 487,847</u>  | <u>\$ 438,191</u> | <u>\$ 885,670</u>     | <u>\$ 926,038</u> | <u>\$ 1,946,457</u>   |
| <b>Operating costs and expenses:</b>                            |                    |                   |                       |                   |                       |
| Operating costs, excluding depreciation                         | 276,644            | 221,611           | 467,099               | 498,255           | 1,026,562             |
| Depreciation  | 142,129            | 141,517           | 150,248               | 283,646           | 288,480               |
| General and administrative                                      | 32,074             | 33,811            | 34,995                | 65,885            | 67,731                |
| Research and development  | 2,919              | 2,315             | 4,857                 | 5,234             | 9,015                 |
| Income from asset sales   | (4,589)            | (2,684)           | (2,855)               | (7,273)           | (7,028)               |
|   | <u>449,177</u>     | <u>396,570</u>    | <u>654,344</u>        | <u>845,747</u>    | <u>1,384,760</u>      |
| <b>Operating income</b>   | <b>38,670</b>      | <b>41,621</b>     | <b>231,326</b>        | <b>80,291</b>     | <b>561,697</b>        |
| Other income (expense):   |                    |                   |                       |                   |                       |
| Interest and dividend income                                    | 733                | 799               | 2,564                 | 1,532             | 2,859                 |
| Interest expense  | (4,524)            | (5,721)           | (2,600)               | (10,245)          | (3,190)               |
| Other   | (261)              | 653               | 55                    | 392               | 369                   |
|   | <u>(4,052)</u>     | <u>(4,269)</u>    | <u>19</u>             | <u>(8,321)</u>    | <u>38</u>             |
| Income from continuing operations                               |                    |                   |                       |                   |                       |
| before income taxes   | 34,618             | 37,352            | 231,345               | 71,970            | 561,735               |
| Income tax provision  | 18,720             | 12,178            | 77,803                | 30,898            | 204,570               |
| Income from continuing operations                               | <u>15,898</u>      | <u>25,174</u>     | <u>153,542</u>        | <u>41,072</u>     | <u>357,165</u>        |
| Income (loss) from discontinued operations, before income taxes |                    |                   |                       |                   |                       |
|   | 104                | (56)              | (76)                  | 48                | (91)                  |
| Income tax provision  | —                  | 3,913             | (77)                  | 3,913             | (77)                  |
| Income (loss) from discontinued operations                      | <u>104</u>         | <u>(3,969)</u>    | <u>1</u>              | <u>(3,865)</u>    | <u>(14)</u>           |
| <b>NET INCOME</b>   | <b>\$ 16,002</b>   | <b>\$ 21,205</b>  | <b>\$ 153,543</b>     | <b>\$ 37,207</b>  | <b>\$ 357,151</b>     |
| Basic earnings per common share:                                |                    |                   |                       |                   |                       |
| Income from continuing operations                               | \$ 0.15            | \$ 0.23           | \$ 1.42               | \$ 0.38           | \$ 3.29               |
| Income from discontinued operations                             | \$ —               | \$ (0.04)         | \$ —                  | \$ (0.04)         | \$ —                  |
| Net income  | <u>\$ 0.15</u>     | <u>\$ 0.19</u>    | <u>\$ 1.42</u>        | <u>\$ 0.34</u>    | <u>\$ 3.29</u>        |

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands, except per share data)**

| <b>CONSOLIDATED STATEMENTS OF<br/>INCOME</b> | <b>Three Months Ended</b> |                 |                                     | <b>Six Months Ended</b> |                                     |
|--|---------------------------|-----------------|-------------------------------------|-------------------------|-------------------------------------|
|  | <b>December 31</b>        | <b>March 31</b> |                                     | <b>March 31</b>         |                                     |
|  | <b>2015</b>               | <b>2016</b>     | <b>2015</b><br><i>(As adjusted)</i> | <b>2016</b>             | <b>2015</b><br><i>(As adjusted)</i> |
| <b>Diluted earnings per common share:</b>    |                           |                 |                                     |                         |                                     |
| Income from continuing operations            | \$ 0.15                   | \$ 0.23         | \$ 1.41                             | \$ 0.37                 | \$ 3.27                             |
| Income from discontinued operations          | \$ —                      | \$ (0.04)       | \$ —                                | \$ (0.04)               | \$ —                                |
| <b>Net income</b>                            | <b>\$ 0.15</b>            | <b>\$ 0.19</b>  | <b>\$ 1.41</b>                      | <b>\$ 0.33</b>          | <b>\$ 3.27</b>                      |
| <b>Weighted average shares outstanding:</b>  |                           |                 |                                     |                         |                                     |
| Basic  | 107,852                   | 108,014         | 107,646                             | 107,933                 | 107,812                             |
| Diluted                                      | 108,409                   | 108,466         | 108,370                             | 108,430                 | 108,620                             |

Effective October 1, 2015, the Company eliminated a legacy one-month lag period between its U.S. fiscal year and its foreign subsidiaries' fiscal years. As required, the elimination of the one-month lag has been applied retrospectively to all periods presented herein.

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands)**

| <b>CONSOLIDATED CONDENSED BALANCE SHEETS</b>       | <b>March 31<br/>2016</b> | <b>September 30<br/>2015<br/>(As Adjusted)</b> |
|--|--------------------------|--|
| <b>ASSETS</b>                                      |                          |  |
| Cash and cash equivalents                          | \$ 898,013               | \$ 729,384                                     |
| Short term investments                             | 45,526                   | 45,543   |
| Other current assets                               | 516,608                  | 656,170  |
| Current assets of discontinued operations          | 230                      | 8,097  |
| Total current assets                               | <u>1,460,377</u>         | <u>1,439,194</u>                               |
| Investments  | 83,363                   | 104,354  |
| Net property, plant, and equipment                 | 5,446,352                | 5,563,170                                      |
| Other assets                                       | 35,013                   | 40,524   |
| <b>TOTAL ASSETS</b>                                | <u>\$ 7,025,105</u>      | <u>\$ 7,147,242</u>                            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |                          |  |
| Current liabilities                                | \$ 371,246               | \$ 344,820                                     |
| Current liabilities of discontinued operations     | 82                       | 3,377  |
| Total current liabilities                          | <u>371,328</u>           | <u>348,197</u>                                 |
| Non-current liabilities                            | 1,374,648                | 1,406,036                                      |
| Non-current liabilities of discontinued operations | 4,110                    | 4,720  |
| Long-term notes payable                            | 492,919                  | 492,443  |
| Total shareholders' equity                         | <u>4,782,100</u>         | <u>4,895,846</u>                               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <u>\$ 7,025,105</u>      | <u>\$ 7,147,242</u>                            |

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands)**

| <b>CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS</b>                           | <b>Six Months Ended</b> |                      |
|--|-------------------------|----------------------|
|  | <b>2016</b>             | <b>2015</b>          |
|  |                         | <b>(As Adjusted)</b> |
| <b>OPERATING ACTIVITIES:</b>   |                         |                      |
| Net income   | \$ 37,207               | \$ 357,151           |
| Adjustment for loss from discontinued operations                                 | 3,865                   | 14                   |
| Income from continuing operations  | 41,072                  | 357,165              |
| Depreciation   | 283,646                 | 288,480              |
| Changes in assets and liabilities  | 158,870                 | 164,666              |
| Gain on sale of assets   | (7,273)                 | (7,028)              |
| Other  | 16,104                  | 13,299               |
| Net cash provided by operating activities from continuing operations             | 492,419                 | 816,582              |
| Net cash provided by (used in) operating activities from discontinued operations | 98                      | (14)                 |
| <b>Net cash provided by operating activities</b>                                 | <b>492,517</b>          | <b>816,568</b>       |
| <b>INVESTING ACTIVITIES:</b>   |                         |                      |
| Capital expenditures   | (180,481)               | (766,029)            |
| Purchase of short-term investments   | (21,869)                | —                    |
| Proceeds from sales of short-term investments                                    | 21,676                  | —                    |
| Proceeds from sale of assets and invested securities                             | 9,715                   | 15,155               |
| <b>Net cash used in investing activities</b>                                     | <b>(170,959)</b>        | <b>(750,874)</b>     |
| <b>FINANCING ACTIVITIES:</b>   |                         |                      |
| Proceeds from senior notes, net of discount and debt issuance costs              | (32)                    | 492,791              |
| Proceeds from short-term debt  | —                       | 1,002                |
| Payments on short-term debt  | —                       | (1,002)              |
| Increase in bank overdraft   | —                       | 12,560               |
| Dividends paid   | (149,300)               | (149,347)            |
| Repurchase of common stock   | —                       | (59,654)             |
| Exercise of stock options  | (199)                   | (1,079)              |
| Tax withholdings related to net share settlements of restricted stock            | (3,617)                 | (4,248)              |
| Excess tax benefit from stock-based compensation                                 | 219                     | 2,761                |
| <b>Net cash provided by (used in) financing activities</b>                       | <b>(152,929)</b>        | <b>293,784</b>       |
| <b>Net increase in cash and cash equivalents</b>                                 | <b>168,629</b>          | <b>359,478</b>       |
| <b>Cash and cash equivalents, beginning of period</b>                            | <b>729,384</b>          | <b>360,307</b>       |
| <b>Cash and cash equivalents, end of period</b>                                  | <b>\$ 898,013</b>       | <b>\$ 719,785</b>    |

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| SEGMENT REPORTING                               | Three Months Ended |            |                       | Six Months Ended |                       |
|---|--------------------|------------|-----------------------|------------------|-----------------------|
|   | December 31        | March 31   |                       | March 31         |                       |
|   | 2015               | 2016       | 2015<br>(As adjusted) | 2016             | 2015<br>(As adjusted) |
| (in thousands, except days and per day amounts) |                    |            |                       |                  |                       |
| <b>U.S. LAND OPERATIONS</b>                     |                    |            |                       |                  |                       |
| Revenues  | \$ 369,805         | \$ 349,283 | \$ 718,463            | \$ 719,088       | \$ 1,608,510          |
| Direct operating expenses                       | 181,541            | 155,884    | 352,489               | 337,425          | 793,615               |
| General and administrative expense              | 12,373             | 12,196     | 12,605                | 24,569           | 24,320                |
| Depreciation                                    | 120,359            | 118,682    | 128,510               | 239,041          | 247,587               |
| Segment operating income                        | \$ 55,532          | \$ 62,521  | \$ 224,859            | \$ 118,053       | \$ 542,988            |
| Revenue days                                    | 11,945             | 9,601      | 20,802                | 21,546           | 48,157                |
| Average rig revenue per day                     | \$ 28,651          | \$ 34,218  | \$ 30,988             | \$ 31,132        | \$ 30,118             |
| Average rig expense per day                     | \$ 12,890          | \$ 14,139  | \$ 13,395             | \$ 13,447        | \$ 13,196             |
| Average rig margin per day                      | \$ 15,761          | \$ 20,079  | \$ 17,593             | \$ 17,685        | \$ 16,922             |
| Rig utilization                                 | 39%                | 31%        | 68%                   | 35%              | 78%                   |
| <b>OFFSHORE OPERATIONS</b>                      |                    |            |                       |                  |                       |
| Revenues  | \$ 41,880          | \$ 34,325  | \$ 62,428             | \$ 76,205        | \$ 132,315            |
| Direct operating expenses                       | 30,293             | 27,065     | 39,264                | 57,358           | 83,739                |
| General and administrative expense              | 862                | 837        | 954                   | 1,699            | 1,780                 |
| Depreciation                                    | 3,003              | 3,124      | 3,170                 | 6,127            | 6,094                 |
| Segment operating income                        | \$ 7,722           | \$ 3,299   | \$ 19,040             | \$ 11,021        | \$ 40,702             |
| Revenue days                                    | 736                | 691        | 794                   | 1,427            | 1,603                 |
| Average rig revenue per day                     | \$ 27,539          | \$ 28,004  | \$ 49,783             | \$ 27,764        | \$ 52,588             |
| Average rig expense per day                     | \$ 19,619          | \$ 20,658  | \$ 31,112             | \$ 20,123        | \$ 32,877             |
| Average rig margin per day                      | \$ 7,920           | \$ 7,346   | \$ 18,671             | \$ 7,641         | \$ 19,711             |
| Rig utilization                                 | 89%                | 84%        | 98%                   | 87%              | 98%                   |

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| SEGMENT REPORTING                               | Three Months Ended |            |                       | Six Months Ended |                       |
|---|--------------------|------------|-----------------------|------------------|-----------------------|
|   | December 31        | March 31   |                       | March 31         |                       |
|   | 2015               | 2016       | 2015<br>(As adjusted) | 2016             | 2015<br>(As adjusted) |
| (in thousands, except days and per day amounts) |                    |            |                       |                  |                       |
| <b>INTERNATIONAL LAND OPERATIONS</b>            |                    |            |                       |                  |                       |
| Revenues  | \$ 72,194          | \$ 51,352  | \$ 101,038            | \$ 123,546       | \$ 197,711            |
| Direct operating expenses                       | 64,008             | 38,113     | 75,391                | 102,121          | 149,314               |
| General and administrative expense              | 718                | 887        | 1,112                 | 1,605            | 1,628                 |
| Depreciation                                    | 14,133             | 14,620     | 13,956                | 28,753           | 25,629                |
| Segment operating income (loss)                 | \$ (6,665)         | \$ (2,268) | \$ 10,579             | \$ (8,933)       | \$ 21,140             |
| Revenue days                                    | 1,411              | 1,307      | 1,771                 | 2,718            | 3,840                 |
| Average rig revenue per day                     | \$ 46,031          | \$ 36,774  | \$ 52,054             | \$ 41,580        | \$ 46,014             |
| Average rig expense per day                     | \$ 34,220          | \$ 26,287  | \$ 37,761             | \$ 30,406        | \$ 33,850             |
| Average rig margin per day                      | \$ 11,811          | \$ 10,487  | \$ 14,293             | \$ 11,174        | \$ 12,164             |
| Rig utilization                                 | 40%                | 38%        | 49%                   | 39%              | 54%                   |

Operating statistics exclude the effects of offshore platform management contracts, gains and losses from translation of foreign currency transactions, and do not include reimbursements of "out-of-pocket" expenses in revenue per day, expense per day and margin calculations.

Reimbursed amounts were as follows:

|                               |           |           |           |           |            |
|-------------------------------|-----------|-----------|-----------|-----------|------------|
| U.S. Land Operations          | \$ 27,571 | \$ 20,751 | \$ 73,853 | \$ 48,322 | \$ 158,115 |
| Offshore Operations           | \$ 6,331  | \$ 6,086  | \$ 5,096  | \$ 12,417 | \$ 10,828  |
| International Land Operations | \$ 7,244  | \$ 3,288  | \$ 8,850  | \$ 10,532 | \$ 21,017  |

(more)

Segment operating income for all segments is a non-GAAP financial measure of the Company's performance, as it excludes general and administrative expenses, corporate depreciation, income from asset sales and other corporate income and expense. The Company considers segment operating income to be an important supplemental measure of operating performance for presenting trends in the Company's core businesses. This measure is used by the Company to facilitate period-to-period comparisons in operating performance of the Company's reportable segments in the aggregate by eliminating items that affect comparability between periods. The Company believes that segment operating income is useful to investors because it provides a means to evaluate the operating performance of the segments and the Company on an ongoing basis using criteria that are used by our internal decision makers. Additionally, it highlights operating trends and aids analytical comparisons. However, segment operating income has limitations and should not be used as an alternative to operating income or loss, a performance measure determined in accordance with GAAP, as it excludes certain costs that may affect the Company's operating performance in future periods.

The following table reconciles operating income per the information above to income from continuing operations before income taxes as reported on the Consolidated Statements of Income (in thousands).

|  | Three Months Ended |           |                       | Six Months Ended |                       |
|--|--------------------|-----------|-----------------------|------------------|-----------------------|
|  | December 31        | March 31  |                       | March 31         |                       |
|  | 2015               | 2016      | 2015<br>(As adjusted) | 2016             | 2015<br>(As adjusted) |
| <b>Operating income</b>                                      |                    |           |                       |                  |                       |
| U.S. Land  | \$ 55,532          | \$ 62,521 | \$ 224,859            | \$ 118,053       | \$ 542,988            |
| Offshore   | 7,722              | 3,299     | 19,040                | 11,021           | 40,702                |
| International Land   | (6,665)            | (2,268)   | 10,579                | (8,933)          | 21,140                |
| Other  | (1,304)            | (1,349)   | (3,217)               | (2,653)          | (5,116)               |
| <b>Segment operating income</b>                              | \$ 55,285          | \$ 62,203 | \$ 251,261            | \$ 117,488       | \$ 599,714            |
| Corporate general and administrative                         | (18,121)           | (19,891)  | (20,324)              | (38,012)         | (40,003)              |
| Other depreciation   | (3,610)            | (3,971)   | (3,767)               | (7,581)          | (7,648)               |
| Inter-segment elimination                                    | 527                | 596       | 1,301                 | 1,123            | 2,606                 |
| Income from asset sales                                      | 4,589              | 2,684     | 2,855                 | 7,273            | 7,028                 |
| <b>Operating income</b>                                      | \$ 38,670          | \$ 41,621 | \$ 231,326            | \$ 80,291        | \$ 561,697            |
| Other income (expense):                                      |                    |           |                       |                  |                       |
| Interest and dividend income                                 | 733                | 799       | 2,564                 | 1,532            | 2,859                 |
| Interest expense   | (4,524)            | (5,721)   | (2,600)               | (10,245)         | (3,190)               |
| Gain on sale of investment securities                        | —                  | —         | —                     | —                | —                     |
| Other  | (261)              | 653       | 55                    | 392              | 369                   |
| Total other income (expense)                                 | (4,052)            | (4,269)   | 19                    | (8,321)          | 38                    |
| <b>Income from continuing operations before income taxes</b> | \$ 34,618          | \$ 37,352 | \$ 231,345            | \$ 71,970        | \$ 561,735            |

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