

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 11/17/16 for the Period Ending 11/17/16

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|-------------|---|
| Address | 1437 S. BOULDER AVE. SUITE 1400 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 |

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

FORM 8-K

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

DATE OF EARLIEST EVENT REPORTED: **November 17, 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

(Address of Principal Executive Offices)

(918)742-5531

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed since Last Report)

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 November 17, 2016, Helmerich & Payne, Inc. (“Registrant”) issued a press release announcing its financial results for its fiscal year-end September 30, 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 Number</u> | <u>Description</u> |
|-----------------------|--|
| 99 | Helmerich & Payne, Inc. earnings press release dated November 17, 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: November 17, 2016

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 99 | Helmerich & Payne, Inc. earnings press release dated November 17, 2016 |



NEWS RELEASE

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

November 17, 2016

HELMERICH & PAYNE, INC. ANNOUNCES FISCAL YEAR-END RESULTS

Helmerich & Payne, Inc. (NYSE:HP) reported a net loss of \$57 million (negative \$0.54 per diluted share) from operating revenues of \$1.6 billion for its fiscal year ended September 30, 2016, compared to net income of \$420 million ⁽¹⁾ (\$3.85 per diluted share) from operating revenues of \$3.2 billion for its prior fiscal year ended September 30, 2015. Included in net income (loss) per diluted share for fiscal 2016 and fiscal 2015 are approximately \$0.54 and \$0.86, respectively, in after-tax income related to a combination of select items as described in a separate section of this press release. Select items, among others, include long-term contract early termination compensation, lawsuit settlement charges, losses from the impairment of a position in the Company's portfolio of marketable securities, and abandonment charges.

Net loss for the fourth fiscal quarter of 2016 was \$73 million (negative \$0.68 per diluted share) from operating revenues of \$332 million. Included in net loss per diluted share corresponding to this year's fourth fiscal quarter are approximately \$0.35 in after-tax losses related to a combination of select items as described in a separate section of this press release.

President and CEO John Lindsay commented, "It is good to deliver better than expected quarterly operational results in the midst of an improving U.S. land market. Our goal is to safely provide performance driven drilling services, and as we think about the future, it is helpful to properly frame where the Company is today.

"Our AC drive FlexRig®* fleet is positioned to take market share in a strong or moderate U.S. land market recovery. We are uniquely leveraged to provide E&P companies the rig of choice, particularly those drilling more challenging horizontal wells. The design of our FlexRig fleet allows for a broad range of rig upgrades providing a family of solutions for our customers.

"An example of H&P's industry leading capability is our current fleet of AC drive FlexRigs that have 7,500 psi circulating systems and multi-well pad drilling capability. These rigs meet the general criteria of what some industry followers have identified as 'super-spec' rigs, which is a subset of AC drive rigs with 1,500 horsepower drawworks ratings. We have approximately 80 of these rigs in our U.S. land fleet, and if demand remains high we could upgrade additional FlexRigs and have approximately 120 of these rigs by the end of our 2017 second fiscal quarter. The current industry capacity for additional super-spec rigs appears to be limited, which positions H&P very well for future expansion in this space. In the event of a significant market improvement for

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super-spec rigs, we have the capability of providing a total of approximately 270 rigs to the market without requiring new build rigs, by solely relying upon upgrades where needed to our current FlexRig3 and FlexRig5 fleet.

“In addition to having what we strongly believe is the best fleet for the more technically challenging shale wells, we have the people, the systems and the operational support structures to drive top performance and reliability for our customers. We have accumulated more than 1,800 rig years of AC drive operational experience. Our expertise designing, building and now upgrading the fleet provides great optionality for the customer and has resulted in H&P having the largest and most capable fleet of AC drive rigs in the industry. We remain committed to further expand our competitive advantages through technology and the scale of our operations in order to continue to add value to our customers and shareholders.”

Operating Segment Results

Segment operating loss for the Company's U.S. land operations was \$70 million for the fourth quarter of fiscal 2016, compared with segment operating income of \$34 million for last year's fourth fiscal quarter and \$26 million for this year's third fiscal quarter. As compared to the third quarter of fiscal 2016, the decrease in segment operating income was primarily attributable to a decline in early termination revenues and to charges of \$38.1 million for abandonments (non-cash) related to the decommissioning of used drilling equipment, \$18.8 million for an accrued lawsuit settlement liability, and \$4.5 million corresponding to an adjustment (non-cash) to the self-insurance reserve for worker's compensation claims. The abandonment charge is included with depreciation and the other two charges are included in direct operating expenses in the segment during the fourth quarter. The number of quarterly revenue days increased sequentially by approximately 6% to 7,955 days. Excluding the impact of \$10,790 and \$3,744 per day of revenues from early contract terminations during the third and fourth fiscal quarters, respectively, the average rig revenue per day decreased sequentially by \$280 to \$24,404. Excluding the impact of \$363 per day of employee severance expense during the third fiscal quarter and of \$2,923 per day of lawsuit settlement and self-insurance reserve charges during the fourth quarter, the average rig expense per day decreased sequentially by \$91 to \$13,326. Thus, the corresponding average rig margin per day decreased sequentially by \$189 to \$11,078. Rig utilization for the segment was 25% for this year's fourth fiscal quarter, compared with 43% and 24% for last year's fourth fiscal quarter and this year's third fiscal quarter, respectively. At September 30, 2016, the Company's U.S. land segment had approximately 95 contracted rigs generating revenue (including 72 under long-term contracts) and 253 idle rigs. The 95 contracted rigs included 91 rigs generating revenue days.

Segment operating income for the Company's offshore operations was \$2.6 million for the fourth quarter of fiscal 2016, compared with \$12.6 million ⁽¹⁾ for last year's fourth fiscal quarter and \$2.1 million for this year's third fiscal quarter. The sequential increase in operating income was attributable to a higher average rig margin per day and a slight increase in revenue days in the fourth quarter of fiscal 2016. Excluding the impact of \$1,236 per day of employee severance expense during the third fiscal quarter and of \$752 per day corresponding to an adjustment to a self-insurance reserve for worker's compensation claims during the fourth quarter, the average rig margin per day

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increased sequentially from \$7,981 to \$9,070, and quarterly revenue days increased from 637 days to 644 days during the fourth fiscal quarter.

The Company's international land operations reported segment operating loss of \$0.2 million for this year's fourth fiscal quarter, compared with an operating loss of \$47.2 million ⁽¹⁾ for last year's fourth fiscal quarter and an operating loss of \$5.0 million for this year's third fiscal quarter. The sequential improvement in operating results was attributable to a higher average daily rig margin and an increase in rig revenue days. Excluding the impact of \$924 per day of employee severance expense during the third fiscal quarter, the average rig margin per day increased sequentially from \$9,461 to \$10,619 during the fourth fiscal quarter. The number of quarterly revenue days increased sequentially by approximately 8% to 1,372 days.

Drilling Operations Outlook for the First Quarter of Fiscal 2017

In the U.S. land segment, the Company expects revenue days (activity) to increase by roughly 20% during the first fiscal quarter of 2017 as compared to the fourth fiscal quarter of 2016. Excluding any impact from early termination revenue, the average rig revenue per day is expected to be roughly \$23,500, and the average rig expense per day is expected to be roughly \$14,200. As of today, the U.S. land segment has approximately 105 contracted rigs that are generating revenue (including 72 under term contracts) and 243 idle rigs. The 105 contracted rigs include 102 rigs generating revenue days.

In the offshore segment, the Company expects revenue days to be unchanged during the first fiscal quarter of 2017 as compared to the fourth fiscal quarter of 2016. The average rig margin per day is expected to be approximately \$11,250 during the first quarter of fiscal 2017.

In the international land segment, the Company expects revenue days to decrease by approximately 5% during the first fiscal quarter of 2017 as compared to the fourth fiscal quarter of 2016. Excluding any impact from early termination revenue, the average rig margin per day is expected to be roughly \$8,000 during the first quarter of fiscal 2017.

Capital Expenditures and Other Estimates for Fiscal 2017

The Company's capital expenditures for fiscal 2017 are expected to be roughly \$200 million. Depreciation expense is expected to decrease to approximately \$525 million, and general and administrative expenses are expected to decrease to approximately \$140 million for fiscal 2017.

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

Included in net loss per diluted share for fiscal 2016 are select items totaling approximately \$0.54 in after-tax income comprised of the following: \$1.29 of after-tax income from long-term contract early termination compensation from customers (which favorably impacted net income by approximately \$139 million); \$0.06 of after-tax gains related to the sale of used drilling equipment; \$0.03 of after-tax losses related to an adjustment to the self-insurance reserve for worker's compensation claims; \$0.04 of after-tax losses from impairment charges related to used drilling equipment; \$0.04 of after-tax losses in general and administrative expenses from employer 401K plan

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matching contributions related to employee work force reductions; \$0.05 of after-tax losses from employee severance expense; \$0.05 of after-tax losses related to currency exchange losses; \$0.11 of after-tax losses from accrued charges related to a lawsuit settlement agreement; \$0.15 of after-tax losses from the impairment of a position in the Company's portfolio of marketable securities; \$0.23 of after-tax losses from abandonment charges related to the decommissioning of used drilling equipment; \$0.04 of losses from discontinued operations; and a negative impact of \$0.07 related to adjustments to the Internal Revenue Code Section 199 deduction for domestic production activities.

Included in net income per diluted share for fiscal 2015 are select items totaling approximately \$0.86 in after-tax income comprised of the following: \$1.30 of after-tax income from long-term contract early termination compensation from customers (which favorably impacted net income by approximately \$141 million); \$0.07 of after-tax gains related to the sale of used drilling equipment; \$0.03 of after-tax losses related to an allowance for doubtful accounts; \$0.23 of after-tax losses from impairment charges for certain (SCR) land rigs; and \$0.25 of after-tax losses from abandonment charges related to the decommissioning of certain (SCR) land rigs and other used drilling equipment.

Included in net loss per diluted share corresponding to the fourth quarter of fiscal 2016 are select items totaling approximately \$0.35 in after-tax losses comprised of the following: \$0.18 of after-tax income from long-term contract early termination compensation from customers; \$0.01 of after-tax gains related to the sale of used drilling equipment; \$0.03 of after-tax losses related to an adjustment to the self-insurance reserve for worker's compensation claims; \$0.11 of after-tax losses from accrued charges related to a lawsuit settlement agreement; \$0.15 of after-tax losses from the impairment of a position in the Company's portfolio of marketable securities; \$0.23 of after-tax losses from abandonment charges related to the decommissioning of used drilling equipment; and a negative impact of \$0.02 related to adjustments to the Internal Revenue Code Section 199 deduction for domestic production activities.

About Helmerich & Payne, Inc.

Helmerich & Payne, Inc. is primarily a contract drilling company. As of November 17, 2016, the Company's existing fleet includes 348 land rigs in the U.S., 38 international land rigs, and nine offshore platform rigs. In addition, the Company is scheduled to deliver two new H&P-designed and operated FlexRigs during the calendar year, both 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

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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.

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

(1) Value(s) adjusted due to previously announced elimination of legacy one-month lag period between the Company's U.S. fiscal year and its foreign subsidiaries' fiscal years. The footnoted item(s) in this release now reflects the period-specific effects of this change.

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

| CONSOLIDATED STATEMENTS OF OPERATIONS | Three Months Ended | | | Fiscal Year Ended | |
|---|--------------------|--------------------|-----------------------|---------------------|-----------------------|
| | June 30 | September 30 | | September 30 | |
| | 2016 | 2016 | 2015 (As adjusted) | 2016 | 2015 (As adjusted) |
| Operating Revenues: | | | | | |
| Drilling — U.S. Land | \$ 285,028 | \$ 238,346 | \$ 420,393 | \$ 1,242,462 | \$ 2,523,518 |
| Drilling — Offshore | 30,492 | 31,904 | 52,280 | 138,601 | 241,666 |
| Drilling — International Land | 47,983 | 58,365 | 78,069 | 229,894 | 382,331 |
| Other | 2,983 | 3,093 | 3,058 | 13,275 | 14,187 |
| | <u>\$ 366,486</u> | <u>\$ 331,708</u> | <u>\$ 553,800</u> | <u>\$ 1,624,232</u> | <u>\$ 3,161,702</u> |
| Operating costs and expenses: | | | | | |
| Operating costs, excluding depreciation | 186,146 | 214,404 | 326,274 | 898,805 | 1,703,476 |
| Depreciation | 138,690 | 176,251 | 174,594 | 598,587 | 608,039 |
| Asset impairment charge | 6,250 | — | 39,242 | 6,250 | 39,242 |
| General and administrative | 46,496 | 33,802 | 37,728 | 146,183 | 134,712 |
| Research and development | 2,707 | 2,328 | 3,760 | 10,269 | 16,104 |
| Income from asset sales | (547) | (2,076) | (3,015) | (9,896) | (11,834) |
| | <u>379,742</u> | <u>424,709</u> | <u>578,583</u> | <u>1,650,198</u> | <u>2,489,739</u> |
| Operating income (loss) | (13,256) | (93,001) | (24,783) | (25,966) | 671,963 |
| Other income (expense): | | | | | |
| Interest and dividend income | 778 | 856 | 1,393 | 3,166 | 5,840 |
| Interest expense | (6,407) | (6,261) | (5,697) | (22,913) | (15,023) |
| Loss on investment securities | — | (25,989) | — | (25,989) | — |
| Other | 534 | (1,891) | (989) | (965) | (901) |
| | <u>(5,095)</u> | <u>(33,285)</u> | <u>(5,293)</u> | <u>(46,701)</u> | <u>(10,084)</u> |
| Income (loss) from continuing operations before income taxes | (18,351) | (126,286) | (30,076) | (72,667) | 661,879 |
| Income tax provision | 2,842 | (53,417) | (2,486) | (19,677) | 241,405 |
| Income (loss) from continuing operations | <u>(21,193)</u> | <u>(72,869)</u> | <u>(27,590)</u> | <u>(52,990)</u> | <u>420,474</u> |
| Income (loss) from discontinued operations, before income taxes | 2,193 | 119 | (6) | 2,360 | (124) |
| Income tax provision | 2,200 | 85 | — | 6,198 | 77 |
| Income (loss) from discontinued operations | <u>(7)</u> | <u>34</u> | <u>(6)</u> | <u>(3,838)</u> | <u>(47)</u> |
| NET INCOME (LOSS) | \$ (21,200) | \$ (72,835) | \$ (27,596) | \$ (56,828) | \$ 420,427 |
| Basic earnings per common share: | | | | | |
| Income (loss) from continuing operations | \$ (0.20) | \$ (0.68) | \$ (0.26) | \$ (0.50) | \$ 3.88 |
| Loss from discontinued operations | \$ — | \$ — | \$ — | \$ (0.04) | \$ — |
| Net income (loss) | <u>\$ (0.20)</u> | <u>\$ (0.68)</u> | <u>\$ (0.26)</u> | <u>\$ (0.54)</u> | <u>\$ 3.88</u> |

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

| CONSOLIDATED STATEMENTS OF OPERATIONS | Three Months Ended | | | Fiscal Year Ended | |
|--|---------------------------|---------------------|----------------------|--------------------------|----------------------|
| | June 30 | September 30 | | September 30 | |
| | 2016 | 2016 | 2015 | 2016 | 2015 |
| | | | <i>(As adjusted)</i> | | <i>(As adjusted)</i> |
| Diluted earnings per common share: | | | | | |
| Income (loss) from continuing operations | \$ (0.20) | \$ (0.68) | \$ (0.26) | \$ (0.50) | \$ 3.85 |
| Loss from discontinued operations | \$ — | \$ — | \$ — | \$ (0.04) | \$ — |
| Net income | \$ (0.20) | \$ (0.68) | \$ (0.26) | \$ (0.54) | \$ 3.85 |
| Weighted average shares outstanding: | | | | | |
| Basic | 108,047 | 108,070 | 107,740 | 107,996 | 107,754 |
| Diluted | 108,047 | 108,070 | 107,740 | 107,996 | 108,570 |

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)

| CONSOLIDATED CONDENSED BALANCE SHEETS | September 30 2016 | September 30 2015 (As Adjusted) |
|--|------------------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 905,561 | \$ 729,384 |
| Short term investments | 44,148 | 45,543 |
| Other current assets | 622,913 | 656,170 |
| Current assets of discontinued operations | 64 | 8,097 |
| Total current assets | <u>1,572,686</u> | <u>1,439,194</u> |
| Investments | 84,955 | 104,354 |
| Net property, plant, and equipment | 5,144,733 | 5,563,170 |
| Other assets | 29,645 | 40,524 |
| TOTAL ASSETS | <u>\$ 6,832,019</u> | <u>\$ 7,147,242</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | \$ 330,061 | \$ 344,820 |
| Current liabilities of discontinued operations | 59 | 3,377 |
| Total current liabilities | <u>330,120</u> | <u>348,197</u> |
| Non-current liabilities | 1,445,237 | 1,406,036 |
| Non-current liabilities of discontinued operations | 3,890 | 4,720 |
| Long-term notes payable | 491,847 | 492,443 |
| Total shareholders' equity | <u>4,560,925</u> | <u>4,895,846</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 6,832,019</u> | <u>\$ 7,147,242</u> |

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HELMERICH & PAYNE, INC.
Unaudited
(in thousands)

| CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS | Years Ended September 30 | |
|--|-------------------------------------|----------------------|
| | 2016 | 2015 |
| | | (As Adjusted) |
| OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ (56,828) | \$ 420,427 |
| Adjustment for loss from discontinued operations | 3,838 | 47 |
| Income (loss) from continuing operations | (52,990) | 420,474 |
| Depreciation | 598,587 | 608,039 |
| Asset impairment charge | 6,250 | 39,242 |
| Loss on investment securities | 25,989 | — |
| Changes in assets and liabilities | 156,957 | 338,217 |
| Gain on sale of assets | (9,896) | (11,834) |
| Other | 28,653 | 34,483 |
| Net cash provided by operating activities from continuing operations | 753,550 | 1,428,621 |
| Net cash provided by (used in) operating activities from discontinued operations | 47 | (47) |
| Net cash provided by operating activities | 753,597 | 1,428,574 |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (257,169) | (1,131,445) |
| Purchase of short-term investments | (57,276) | (45,607) |
| Proceeds from sale of short-term investments | 58,381 | — |
| Proceeds from sale of assets | 21,845 | 22,643 |
| Net cash used in investing activities | (234,219) | (1,154,409) |
| FINANCING ACTIVITIES: | | |
| Proceeds from senior notes, net of discount and debt issuance costs | (1,111) | 491,651 |
| Proceeds from short-term debt | — | 1,002 |
| Payments on short-term debt | — | (1,002) |
| Payments on long-term debt | (40,000) | (40,000) |
| Dividends paid | (300,152) | (298,367) |
| Repurchase of common stock | — | (59,654) |
| Exercise of stock options | 1,040 | 2,650 |
| Tax withholdings related to net share settlements of restricted stock | (3,912) | (5,140) |
| Excess tax benefit from stock-based compensation | 934 | 3,772 |
| Net cash provided by (used in) financing activities | (343,201) | 94,912 |
| Net increase in cash and cash equivalents | 176,177 | 369,077 |
| Cash and cash equivalents, beginning of period | 729,384 | 360,307 |
| Cash and cash equivalents, end of period | \$ 905,561 | \$ 729,384 |

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| SEGMENT REPORTING | Three Months Ended | | | Fiscal Year Ended | |
|------------------------------------|---|---------------|------------|-------------------|---------------|
| | June 30 | September 30 | | September 30 | |
| | 2016 | 2016 | 2015 | 2016 | 2015 |
| | | (As adjusted) | | | (As adjusted) |
| | (in thousands, except days and per day amounts) | | | | |
| U.S. LAND OPERATIONS | | | | | |
| Revenues | \$ 285,028 | \$ 238,346 | \$ 420,393 | \$ 1,242,462 | \$ 2,523,518 |
| Direct operating expenses | 122,694 | 143,681 | 219,700 | 603,800 | 1,254,424 |
| General and administrative expense | 14,221 | 11,267 | 15,984 | 50,057 | 50,769 |
| Depreciation | 116,061 | 153,135 | 151,056 | 508,237 | 519,950 |
| Asset impairment charge | 6,250 | — | — | 6,250 | — |
| Segment operating income (loss) | \$ 25,802 | \$ (69,737) | \$ 33,653 | \$ 74,118 | \$ 698,375 |
| Revenue days | 7,483 | 7,955 | 13,490 | 36,984 | 75,866 |
| Average rig revenue per day | \$ 35,474 | \$ 28,148 | \$ 28,700 | \$ 31,369 | \$ 30,211 |
| Average rig expense per day | \$ 13,780 | \$ 16,249 | \$ 13,823 | \$ 14,117 | \$ 13,483 |
| Average rig margin per day | \$ 21,694 | \$ 11,899 | \$ 14,877 | \$ 17,252 | \$ 16,728 |
| Rig utilization | 24% | 25% | 43% | 30% | 62% |
| OFFSHORE OPERATIONS | | | | | |
| Revenues | \$ 30,492 | \$ 31,904 | \$ 52,280 | \$ 138,601 | \$ 241,666 |
| Direct operating expenses | 24,249 | 25,376 | 35,738 | 106,983 | 158,488 |
| General and administrative expense | 975 | 790 | 1,049 | 3,464 | 3,517 |
| Depreciation | 3,184 | 3,184 | 2,877 | 12,495 | 11,659 |
| Segment operating income | \$ 2,084 | \$ 2,554 | \$ 12,616 | \$ 15,659 | \$ 68,002 |
| Revenue days | 637 | 644 | 736 | 2,708 | 3,067 |
| Average rig revenue per day | \$ 25,568 | \$ 26,608 | \$ 31,422 | \$ 26,973 | \$ 44,125 |
| Average rig expense per day | \$ 18,823 | \$ 18,290 | \$ 18,126 | \$ 19,381 | \$ 27,246 |
| Average rig margin per day | \$ 6,745 | \$ 8,318 | \$ 13,296 | \$ 7,592 | \$ 16,879 |
| Rig utilization | 78% | 78% | 89% | 82% | 93% |

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| SEGMENT REPORTING | Three Months Ended | | | Fiscal Year Ended | |
|---|--------------------|--------------|-----------------------|-------------------|-----------------------|
| | June 30 | September 30 | | September 30 | |
| | 2016 | 2016 | 2015 (As adjusted) | 2016 | 2015 (As adjusted) |
| (in thousands, except days and per day amounts) | | | | | |
| INTERNATIONAL LAND OPERATIONS | | | | | |
| Revenues | \$ 47,983 | \$ 58,365 | \$ 78,069 | \$ 229,894 | \$ 382,331 |
| Direct operating expenses | 38,230 | 43,618 | 69,784 | 183,969 | 289,700 |
| General and administrative expense | 772 | 532 | 892 | 2,909 | 3,148 |
| Depreciation | 13,972 | 14,377 | 15,383 | 57,102 | 57,334 |
| Asset impairment change | — | — | 39,242 | — | 39,242 |
| Segment operating loss | (4,991) | \$ (162) | \$ (47,232) | \$ (14,086) | \$ (7,093) |
| Revenue days | 1,274 | 1,372 | 1,608 | 5,364 | 7,284 |
| Average rig revenue per day | \$ 34,693 | \$ 38,061 | \$ 43,660 | \$ 39,044 | \$ 47,352 |
| Average rig expense per day | \$ 26,156 | \$ 27,442 | \$ 38,659 | \$ 28,638 | \$ 34,848 |
| Average rig margin per day | \$ 8,537 | \$ 10,619 | \$ 5,001 | \$ 10,406 | \$ 12,504 |
| Rig utilization | 37% | 39% | 45% | 39% | 51% |

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 | \$ 19,593 | \$ 14,422 | \$ 33,225 | \$ 82,337 | \$ 231,528 |
| Offshore Operations | \$ 5,270 | \$ 5,451 | \$ 11,710 | \$ 23,138 | \$ 33,254 |
| International Land Operations | \$ 3,784 | \$ 6,142 | \$ 7,863 | \$ 20,458 | \$ 37,420 |

(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 Operations (in thousands).

| | Three Months Ended | | | Fiscal Year Ended | |
|---|--------------------|--------------|-----------------------|-------------------|-----------------------|
| | June 30 | September 30 | | September 30 | |
| | 2016 | 2016 | 2015 (As adjusted) | 2016 | 2015 (As adjusted) |
| Operating income (loss) | | | | | |
| U.S. Land | \$ 25,802 | \$ (69,737) | \$ 33,653 | \$ 74,118 | \$ 698,375 |
| Offshore | 2,084 | 2,554 | 12,616 | 15,659 | 68,002 |
| International Land | (4,991) | (162) | (47,232) | (14,086) | (7,093) |
| Other | (2,186) | (2,652) | (3,471) | (7,491) | (10,911) |
| Segment operating income (loss) | \$ 20,709 | \$ (69,997) | \$ (4,434) | \$ 68,200 | \$ 748,373 |
| Corporate general and administrative | (30,528) | (21,213) | (19,803) | (89,753) | (77,278) |
| Other depreciation | (4,456) | (4,276) | (3,803) | (16,313) | (15,077) |
| Inter-segment elimination | 472 | 409 | 242 | 2,004 | 4,111 |
| Income from asset sales | 547 | 2,076 | 3,015 | 9,896 | 11,834 |
| Operating income (loss) | \$ (13,256) | \$ (93,001) | \$ (24,783) | \$ (25,966) | \$ 671,963 |
| Other income (expense): | | | | | |
| Interest and dividend income | 778 | 856 | 1,393 | 3,166 | 5,840 |
| Interest expense | (6,407) | (6,261) | (5,697) | (22,913) | (15,023) |
| Loss on investment securities | — | (25,989) | — | (25,989) | — |
| Other | 534 | (1,891) | (989) | (965) | (901) |
| Total other expense | (5,095) | (33,285) | (5,293) | (46,701) | (10,084) |
| Income (loss) from continuing operations before income taxes | \$ (18,351) | \$ (126,286) | \$ (30,076) | \$ (72,667) | \$ 661,879 |

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