

HOUSTON, May 13, 2015 /PRNewswire/ -- Paragon Offshore plc ("Paragon") (NYSE: PGN) today reported first quarter 2015 net income of \$124.6 million, or \$1.47 per diluted share as compared to first quarter 2014 net income of \$124.6 million, or \$1.47 per diluted share. Results for the quarter reflect a gain on the sale of an asset and a \$4.3 million, or \$0.05 per diluted share, gain related to the repurchase of an aggregate of \$100 million of its senior unsecured notes. For periods prior to Paragon's spin-off from [Noble Corp.](#) plc ("Noble") on August 1, 2014 (the "Spin-Off"), results are based on Noble's standard-specification business and include contributions from three standard specification rigs retained by Noble. The results for the standard specification rigs that were sold prior to the Spin-Off. For more information regarding the Spin-Off, please see Paragon's filings with the U.S. Securities and Exchange Commission (the "SEC") available on the company's website at www.paragonoffshore.com.

"In the midst of a challenging environment, Paragon delivered another strong quarter of operational results with unpaid downtime being reduced and our cost reduction efforts well underway," said Randall D. Stilley, President and Chief Executive Officer. "We also successfully concluded the Prospector acquisition and refinanced our outstanding Prospector debt using our revolving credit facility. In addition, we added \$108 million of contract backlog during the quarter. We are pleased that our customers continue to value Paragon's safe, reliable, and efficient standard fleet."

Total revenues for the first quarter of 2015 were \$430.6 million compared to \$495.0 million in the fourth quarter of 2014. Paragon reported 74 percent utilization of its marketed floating rig fleet, which excludes one recently stacked floater, as 74 percent for the first quarter of 2015, as compared to 84 percent in the fourth quarter of 2014. Average daily revenues increased three percent in the first quarter of 2015 to \$152,000 per rig compared to the previous quarter average of \$147,000. Average operating costs increased slightly in the first quarter to \$225.1 million compared to \$224.5 million in the fourth quarter of 2014.

Net cash from operating activities was \$210.4 million in the first quarter of 2015 as compared to \$130.9 million for the fourth quarter of 2014. Net cash from operating activities for the first quarter totaled \$50.7 million. At March 31, 2015, liquidity, defined as cash and cash equivalents plus availability under the company's revolving credit facility, was \$495.9 million while the ratio of the company's net debt to trailing twelve months EBITDA, as defined in the company's revolving credit facility, was 1.2 times as of March 31, 2015.

Operating Highlights

Paragon's total contract backlog at March 31, 2015 was an estimated \$1.9 billion compared to \$2.2 billion at December 31, 2014.

Utilization of Paragon's marketed floating rig fleet increased in the first quarter to 100 percent compared to 94 percent in the fourth quarter of 2014. Average daily revenues for Paragon's floating rig fleet decreased four percent to \$277,000 per rig in the first quarter of 2015 from \$287,000 per rig in the fourth quarter of 2014.

First quarter 2015 utilization of Paragon's marketed jackup rig fleet decreased to 71 percent compared to the 82 percent utilization of Paragon's marketed jackup rig fleet in the fourth quarter of 2014. Average daily revenues for Paragon's jackup fleet during the first quarter improved by five percent to \$127,000 per rig from \$121,000 per rig in the fourth quarter of 2014.

At the end of the first quarter of 2015, an estimated 56 percent of the marketed rig operating days were committed for 2015, including the floating and jackup rig days, respectively. The calculations for committed operating days exclude available days related to one rig that was stacked.

Outlook

During the quarter, Paragon added approximately \$108.0 million in backlog related primarily to previously disclosed new contracts and extensions in the North Sea, the Middle East, and West Africa. In the North Sea, the Paragon HZ1 received a contract extension from early July 2015 to late August 2016 at a dayrate of \$130,000. Finally, Paragon C463 received a new contract with GDF SUEZ for 225 days beginning late January 2015 at a dayrate of \$130,000. Finally, Paragon L782 received a new contract for 75 days at a dayrate of \$170,000 and a new contract from early July 2015 to late August 2015 at a dayrate of \$140,000. Paragon L783 received a new contract from late May 2015 to mid-September 2015 at a dayrate of \$90,000 while the Paragon L783 was stacked from early March 2015 to early May 2015 at a dayrate of \$129,000.

On May 6, 2015, Paragon reported that a subsidiary had received written notices of termination from PEMEX - Exploración y Producción S.A. de C.V. ("PEMEX") for the early termination of two contracts on the Paragon L1113 and the Paragon B301. These contracts have been terminated by PEMEX pursuant to PEMEX's right to terminate the contracts for non-compliance with the contracts' terms and conditions, including the failure to provide the required 30 days' notice. The effective termination dates for the contracts is expected to be late May 2015. As a result of the contract terminations, Paragon's backlog decreased by approximately \$60 million. Paragon continues to engage in discussions with PEMEX regarding the company's remaining obligations under the contracts.

Mr. Stilley concluded, "Despite recent improvements in oil prices, conditions in the offshore drilling space are likely to deteriorate further in the second quarter of 2015. Dayrates may head lower, driven by a variety of supply and demand factors; and we believe the industry will see additional contract cancellations. Our approach to navigating these turbulent waters includes the following actions: (1) reduce operating costs to preserve contract drilling margins and liquidity; (2) refinance the debt we assumed as part of the Prospector acquisition; (3) aggressively utilize our position as the low cost provider of offshore rigs; (4) continue to evaluate additional opportunities to strengthen our balance sheet; and (5) maintain our focus on being the high-quality, safe, and low-cost offshore drilling contractor - a key differentiator for Paragon."

About Paragon Offshore

Paragon is a global provider of offshore drilling rigs. Paragon's drilling fleet includes 34 jackups, including two high specification heavy duty/harsh environment jackups, and six floaters (four drillships and two semisubmersibles). Paragon's primary business is contracting its rigs, related equipment and work crews to conduct oil and gas drilling and workover operations for its exploration and production customers on a dayrate basis around the world. Paragon's principal executive offices are located in Houston, Texas. Paragon is a public limited company registered in England and Wales with company number 08814042 and registered office at 20-22 Bedford Row, London, WC1R 4JS, England. Additional information is available at www.paragonoffshore.com.

Forward-Looking Disclosure Statement

This release contains forward-looking statements. Statements regarding contract backlog, earnings, costs, revenue, rig demand, free cash flow, shareholder value, contract commitments, dayrates, contract commencements, contract extensions or renewals, industry fundamental requirements, strategic initiatives, future performance, growth opportunities, market outlook, as well as any other statements that are included in this release, are forward-looking statements that involve certain risks, uncertainties and assumptions. These include but are not limited to the general nature of the oil and gas industry, risks associated with the operation of Paragon as a separate, publicly traded company, actions of customers and other third parties, and other factors detailed in the "Risk Factors" section of Paragon's annual report on Form 10-K for the year ended December 31, 2014, and in Paragon's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. If these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those

Conference Call

Paragon also scheduled a teleconference and webcast related to its first quarter 2015 results on Thursday, May 14, 2015, at 8:00 a.m. U.S. Eastern Time. The teleconference can be accessed from the U.S. and Canada by dialing 1-888-771-4371, or internationally by dialing 1-847-585-4392. Interested parties may also listen to the webcast through a link posted on Paragon's website at www.paragonoffshore.com under "Events & Presentations" in the "Investor Relations" section of the website.

A telephonic replay of the conference call will be available on Thursday, May 14, 2015, beginning at approximately 12:00 p.m. U.S. Eastern Time, and will remain available through Thursday, May 28, 2015, ending at approximately 11:00 p.m. U.S. Central Daylight Time. The phone number for the conference call for calls from outside of the U.S., 1-630-652-3042, using access code: 39310592#. A replay of the conference call will also be available at www.paragonoffshore.com, under "Events & Presentations" in the "Investor Relations" section of the website.

For additional information, contact:

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PARAGON OFFSHORE plc

CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

Three Months Ended

March 31,

2015 2014

Operating revenues

Contract drilling services	\$ 399,819	\$ 491,963
Reimbursables	23,664	14,416
Labor contract drilling services	7,165	8,211
	430,648	514,590

Operating costs and expenses

Contract drilling services	225,105	226,462
Reimbursables	19,978	10,625
Labor contract drilling services	5,613	6,213
Depreciation and amortization	90,075	110,584
General and administrative	15,364	13,245
Gain on disposal of assets, net	(16,795)	—
Gain on repurchase of long-term debt	(4,345)	—
	334,995	367,129
Operating income	95,653	147,461

Other income (expense)

Interest expense, net of amount capitalized	(30,195)	(3,300)
Interest income and other, net	2,265	187
Income before income taxes	67,723	144,348
Income tax provision	(6,565)	(19,782)
Net income	\$ 61,158	\$ 124,566
Net income attributable to non-controlling interest (31)		—
Net income attributable to Paragon Offshore	\$ 61,127	\$ 124,566

Earnings per share

Basic and diluted	\$ 0.69	\$ 1.47
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CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

March 31,	December 31,
2015	2014

ASSETS

Current assets

Cash and cash equivalents	\$ 85,773	\$ 56,772
Restricted cash	—	12,502
Accounts receivable, net of allowance for doubtful accounts	348,997	539,376
Prepaid and other current assets	84,268	104,644
Total current assets	519,038	713,294
Property and equipment, net	2,359,673	2,410,360
Other assets	127,597	129,735
Total assets	\$ 3,006,308	\$ 3,253,389

LIABILITIES AND EQUITY

Current liabilities

Current maturities of long-term debt	\$ 6,500	\$ 272,166
Accounts payable	140,471	160,874
Accrued payroll and related costs	47,983	81,416
Other current liabilities	145,077	207,838
Total current liabilities	340,031	722,294
Long-term debt	1,990,930	1,888,439
Deferred income taxes	57,631	58,497
Other liabilities	72,087	89,910
Total liabilities	2,460,679	2,759,140

Total shareholders' equity	545,629	491,608
Non-controlling interest	—	2,641
Total equity	545,629	494,249
Total liabilities and equity	\$ 3,006,308	\$ 3,253,389

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

Three Months Ended

March 31,

2015 2014

Cash flows from operating activities

Net income \$ 61,158 \$ 124,566

Adjustments to reconcile net income to net cash from operating activities:

Depreciation and amortization 90,075 110,584

Gain on disposal of assets, net (16,795) &mdash;

Gain on repurchase of long-term debt (4,345) &mdash;

Other changes in operating activities 80,292 (35,527)

Net cash from operating activities 210,385 199,623

Cash flows from investing activities

Capital expenditures (50,699) (42,524)

Proceeds from the sale of assets 24,007 &mdash;

Acquisition of Prospector Offshore Drilling S.A. non-controlling interest (2,185) &mdash;

Change in restricted cash 12,502 &mdash;

Change in accrued capital expenditures (6,172) (12,937)

Net cash from investing activities (22,547) (55,461)

Cash flows from financing activities

Net change in borrowings on Predecessor bank credit facilities &mdash; 422,402

Net change in borrowings outstanding on Revolving Credit Facility 216,000 &mdash;

Repayment of Term Loan Facility (1,625) &mdash;

Repayment of Prospector Senior Credit Facility (265,666) &mdash;

Repayment of Prospector Bonds (101,000) &mdash;

Purchase of Senior Notes (6,546) &mdash;

Debt issuance costs &mdash; (381)

Net transfers to parent &mdash; (570,539)

Net cash from financing activities (158,837) (148,518)

Net change in cash and cash equivalents 29,001 (4,356)

Cash and cash equivalents, beginning of period 56,772 36,581

Cash and cash equivalents, end of period

\$ 85,773 \$ 32,225

PARAGON OFFSHORE plc

OPERATIONAL INFORMATION

(In thousands, except operating statistics)

(Unaudited)

	As Reported		Rigs Retained or Sold by Noble		As Adjusted	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31, 2015	2014	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2014
Rig fleet operating statistics (1)(2)						
Jackups:						
Average Rig Utilization	71	% 83	% 80	% n/a	88	% n/a
Marketed Utilization (3)	71	% 86	% 82	% n/a	88	% n/a
Operating Days	2,174	2,701	2,548	n/a	159	n/a
Average Dayrate	\$ 126,646	\$ 112,340	\$ 120,252	n/a	\$ 119,408	n/a
Floater:						
Average Rig Utilization	83	% 78	% 71	% n/a	100	% n/a
Marketed Utilization (3)	100	% 100	% 94	% n/a	100	% n/a
Operating Days	450	630	521	n/a	90	n/a
Average Dayrate	\$ 276,560	\$ 299,234	\$ 287,303	n/a	\$ 414,551	n/a
Total:						
Average Rig Utilization	73	% 82	% 78	% n/a	83	% n/a
Marketed Utilization (3)	74	% 87	% 84	% n/a	83	% n/a
Operating Days	2,624	3,331	3,069	n/a	249	n/a
Average Dayrate	\$ 152,353	\$ 147,687	\$ 148,615	n/a	\$ 226,086	n/a

(1) We define average rig utilization for a specific period as the total number of days our rigs are operating under contract, divided by the product of the total number of our rigs, including cold-stacked rigs, and the number of calendar days in such period. Information reflects our policy of reporting on the basis of the number of available rigs in our fleet.

(2) Excludes the Paragon FPSO1.

(3) Excludes the impact of Paragon cold-stacked rigs.

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE

(In thousands, except per share amounts)

(Unaudited)

The following table sets forth the computation of basic and diluted net income and earnings per share:

	Three Months Ended	
	March 31,	
	2015	2014
Allocation of net income		
Basic and diluted		
Net income attributable to Paragon Offshore	\$ 61,127	\$ 124,566
Earnings allocated to unvested share-based payment awards (1)	(2,854)	—
Net income to ordinary shareholders - basic and diluted	\$ 58,273	\$ 124,566
Weighted average number of shares outstanding - basic and diluted	85,055	84,753
Weighted average unvested share-based payment awards (1)	4,166	—
Earnings per share		
Basic and diluted	\$ 0.69	\$ 1.47

(1) Our basis of presentation related to weighted average unvested shares outstanding for all periods prior to the Spin-Off does not include our unvested restricted stock units that were granted to our employees in conjunction with Paragon's 2014 Employee Omnibus Incentive Plan. As a result, we have no earnings allocated to unvested share-based payment awards in our earnings per share calculation for periods prior to the Spin-Off.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(In thousands, except per share amounts)

(Unaudited)

The following table sets forth the reconciliation of adjusted net income (non-GAAP) to net income:

	Three Months Ended	
	March 31,	
	2015	2014
Net income attributable to Paragon Offshore	\$ 61,127	\$ 124,566
Adjustments:		
Gain on repurchase of long-term debt	(4,345)	—
Gain on disposal of assets, net	(16,795)	—
Tax impact of gains (1)	2,049	—
Adjusted net income	\$ 42,036	\$ 124,566
Allocation of adjusted net income		
Basic and diluted		
Adjusted net income	\$ 42,036	\$ 124,566
Earnings allocated to unvested share-based payment awards	(1,963)	—
Adjusted net income to ordinary shareholders - basic and diluted	\$ 40,073	\$ 124,566
Weighted average number of shares outstanding - basic and diluted	85,055	84,753
Weighted average unvested share-based payment awards	4,166	—
Adjusted earnings per share		
Basic and diluted	\$ 0.47	\$ 1.47

(1) The estimated tax impact of the gains for the three months ended March 31, 2015 is assumed at the effective tax rate for the quarter. No adjustments for taxes were made for all periods prior to the Spin-Off as income taxes were prepared on a separate return basis as if we had been a standalone company.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (Cont'd)

(In thousands, except operating statistics)

(Unaudited)

	As Reported			Rigs Retained or Sold by Noble As At		
	Three Months Ended			Three Months Ended		
	March 31,		December 31,	March 31,		December 31,
	2015	2014	2014	2015	2014	2015
Operating revenues						
Contract drilling services	\$ 399,819	\$ 491,963	\$ 456,026	n/a	\$ 56,163	n/a
Labor contract drilling services	7,165	8,211	8,482	n/a	—	n/a
Reimbursables and other	23,664	14,416	30,485	n/a	2,313	n/a
	430,648	514,590	494,993	n/a	58,476	n/a
Operating costs and expenses						
Contract drilling services	225,105	226,462	224,536	n/a	17,994	n/a
Labor contract drilling services	5,613	6,213	5,745	n/a	—	n/a
Reimbursables	19,978	10,625	26,401	n/a	1,523	n/a
Depreciation and amortization	90,075	110,584	91,088	n/a	10,964	n/a
General and administrative	15,364	13,245	24,116	n/a	1,292	n/a
Loss on impairment	—	—	130,540	n/a	—	n/a
Gain on disposal of assets, net	(16,795)	—	—	n/a	—	n/a
Gain on repurchase of long-term debt	(4,345)	—	(11,744)	n/a	—	n/a
	334,995	367,129	490,682	n/a	31,773	n/a
Operating income	95,653	147,461	4,311	n/a	26,703	n/a
Other income (expense)						
Interest expense, net of amount capitalized	(30,195)	(3,300)	(27,990)	n/a	—	n/a
Interest income and other, net	2,265	187	3,116	n/a	—	n/a
Income (loss) before income taxes	67,723	144,348	(20,563)	n/a	26,703	n/a
Income tax provision	(6,565)	(19,782)	23,307	n/a	(1,683)	n/a
Net income	\$ 61,158	\$ 124,566	\$ 2,744	n/a	\$ 25,020	n/a
Net (income)/loss attributable to non-controlling interests (31)		—	59	n/a	—	n/a
Net income attributable to Paragon Offshore	\$ 61,127	\$ 124,566	\$ 2,803	n/a	\$ 25,020	n/a
Adjustments:						
Depreciation and amortization						90,075
Loss on impairment						—

Gain on disposal of assets, net	(16,7
Gain on repurchase of long-term debt	(4,34
Interest expense, net of amount capitalized	30,19
Income tax provision	6,565
EBITDA	\$ 166

To view the original version on PR Newswire,
visit:<http://www.prnewswire.com/news-releases/paragon-offshore-reports-first-quarter-2015-results-300082969.html>

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