

oro negro | x

1Q2015

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redefining what is possible ◀

Quarterly Overview

(Units in US\$)

Company Highlights

Oro Negro reports revenues of US\$65.4M during the first quarter of 2015, in line with the US\$63.4M accounted during the fourth quarter of 2014. The Company has achieved another quarter with high uptime levels, Oro Negro's fleet registered an average uptime of 99.4% during the first quarter of 2015.

Laurus and Fortius ended the first quarter with an uptime of 100%, offering the best performance of Oro Negro's fleet, followed by Decus and Primus with an uptime of 99.6% and 99.4% respectively. Rig 3 had an average uptime of 94.8%, as a result of equipment failures.

On January 22, 2015, we took delivery of our fifth jackup drilling rig, the Impetus, from PPL Shipyard in Singapore, which arrived in Mexico on March 28, 2015.

Operational Results

Oro Negro has positioned itself as a leader in the oil field services sector with four premium jackups and one modular platform in operation. To date, the Company has invested over US\$1.9 billion in assets, building enough scale to generate substantial operating synergies, and to position itself as a relevant operator of high specification equipment in Mexico with five of our rigs already under contract with PEMEX.

As mentioned before, our fleet had an outstanding utilization and there were no major incidents reported in any of the rigs.

Oro Negro is committed to maintaining the highest safety and environmental responsibility standards. We operate a Quality Management System (QMS) with its principles founded in our ZERO HARM policies; which are based upon ZERO HARM to people, the environment, and equipment.

Average uptime rate

	Rig 3	Primus	Laurus	Fortius	Decus	Total
1Q15	94.8	99.4%	100.0%	100.0%	99.6%	99.4% ¹
2014	97.6%	97.8%	99.4%	95.7%	88.6%	96.3% ¹

¹ Weighted average uptime rate, calculated according to revenues.

Jackups Contracts

We have been able to build a large contract backlog and provide a stable cash flow visibility for the upcoming years. The following table sets forth the amount of revenue backlog for our drilling units under contract as of March 31, 2015:

Contracts general details

	Start Date	End Date	Duration (days)	Day Rate (\$'000)	Backlog (US\$'000)
Primus	Jun-13	Apr-16	1,030	159	\$59,148
Laurus	Nov-13	Apr-17	1,233	159	\$117,182
Fortius	Feb-14	Jan-18	1,442	161	\$165,314
Decus	Jun-14	Feb-18	1,342	161	\$168,859
Rig 3	Sep-11	Sep-15	1,465	50	\$8,150
TOTAL					US\$518,653

Contract backlog is calculated by multiplying the day rate of our drilling contracts by the number of contract days remaining, assuming a full uptime rate. The calculation does not include any revenues related to other fees such as mobilization, demobilization, contract preparation, customer reimbursable, and bonuses.

Oro Negro's rigs are currently located in the bay of Campeche based in the Mexican Gulf of Mexico performing both exploratory and development drilling activities for PEMEX.

Management, Discussion and Analysis

(As of March 31st, 2015)

Balance sheet

As of March 31, 2015, total assets amounted to US\$1,491.7M. Current assets totaled US\$156.2M, mainly comprised by cash and equivalents (US\$78.3M) and trade and other receivables (US\$65.3M). Total long-term assets added up to US\$1,335.5M.

Cash and cash equivalents balance added up to US\$78.3M at the end of the period of which US\$25.0M were classified as restricted cash to comply with the liquidity reserve of our outstanding debt, US\$12.1M were reserved for debt service, and US\$6.7M were provisioned for a major maintenance and for the surveys that each jackup undergoes every 5 years after starting operations.

Trade and other receivables are comprised of PEMEX payments (US\$42.4M), recoverable taxes (US\$19.4M), and pre-paid expenses to suppliers (US\$3.5M). During the fourth quarter of 2014, Trade and other receivables increased substantially (US\$75.3M) given Pemex delays in payments. The company managed to collect all the pending invoices during the first quarter of 2015.

Fixed assets amounted to US\$1,301.2M. These are composed by property and equipment (rigs already delivered), and advanced payments made for the rigs under construction, additional adaptations to the rigs, and pre-operational expenses.

Total liabilities amounted to US\$950.3M, of which US\$243.3M are considered current liabilities, mainly composed of current portion of long-term debt US\$204.8M, trade and other payables US\$23.8M, current portion of deferred revenue US\$7.9M, and other short term liabilities US\$6.7M, and US\$707.0M are long-term liabilities.

Total debt at the end of the period was US\$900.0M, which is composed by the US\$725.0M bond issued in January, 2014, and the US\$175.0M bridge bond issued in December 2014.

Given that under IFRS borrowings are recognized at fair value in the balance sheet, net of transaction costs, and transaction costs are amortized throughout the financing term, the balance sheet will reflect the total debt principal until the maturity date.

(First quarter of 2015)**Income statement**

Revenues for the first quarter of 2015, ended on March 31, 2015, amounted to US\$65.5M, a 58% increase compared to the US\$41.2M obtained during the first quarter of 2014.

Revenues are generated from the operation of our drilling rigs, including four premium jackups and one modular rig. The increase in revenues compared to the first quarter of 2014 is explained by the uptime improvement and by the fact that the Fortius and Decus did not operate during the first quarter of 2014. The company achieved a 99.4% uptime during the first quarter of 2015.

Operating costs for the first quarter of 2015, amounted to US\$32.0M, there was a 9.5% increase compared to the US\$29.2M expensed during the first quarter of 2014. The increase in drilling costs is also driven by the fact that the Fortius and Decus did not operate during the first quarter of 2014.

Personnel costs are the most relevant operating cost representing ~65% of the total rig direct operating costs during the first quarter of 2015.

Gross profit for the first quarter amounted to US\$33.4M, an increase of approximately US\$21.3M or 77% compared to the first quarter of 2015.

Administrative expenses for the first quarter amounted to US\$4.2M. These expenses are related with office expenses and administrative expenses.

The Company obtained an operating profit of US\$29.9M in the first quarter of 2015.

Interest expenses for the first quarter of 2015, which are related to the US\$725.0M bond issued in January 2014, and the US\$175.0M bridge bond issued in December 2014 as well as the issuance costs of the US\$175M bridge bond, amounted to US\$22.2M.

Oro Negro obtained a net income of US\$7.7M compared to the (US\$26.9M) obtained in the first quarter of 2014.

Cash flow statement

Cash flow used in operating activities during the first quarter of 2015 amounted to US\$59.6M. The net working capital during the period, amounted to US\$20.3M.

Cash flow from investing activities for the period amounted to (US\$180.7M) as a result of Impetus's final shipyard payment and additional equipment acquisitions.

Cash flow from financing activities for the first quarter amounted to (US\$33.6M) as a result of the US\$28.6M interest payment from the US\$725.0M bond on January 24, 2015, and US\$5.0M interest payment from the US\$175.0M bridge bond on March 2, 2015.

Change in cash and cash equivalents during the first quarter of 2015 was (US\$154.6M). As a result, our cash balance decrease from US\$232.9M in December 31, 2014, to US\$78.3M in March 31, 2015.

Integradora de Servicios Petroleros Oro Negro S.A.P.I. de C.V.
Unaudited Consolidated Balance Sheet

(Amounts in US\$'000)

	March 31, 2015	December 31, 2014
Cash and cash equivalents	\$78,285	\$232,926
Trade and other receivables, net	65,326	96,377
Current portion of deferred costs	4,081	6,407
Prepaid expenses	8,488	2,710
Total current assets	\$156,180	\$338,420
Property and equipment, net	1,171,100	951,401
Advanced payments for acquisition of jackups	130,119	177,913
Intangible assets and goodwill	622	678
Deferred income tax	33,634	33,634
Total long-term assets	\$1,335,475	\$1,163,626
Total assets	\$1,491,655	\$1,502,046
Current portion of long-term debt	204,777	216,643
Current portion of deferred revenue	7,923	10,659
Trade and other payables	23,842	28,343
Related parties	2,610	2,610
Other liabilities	4,133	3,593
Total current liabilities	\$243,285	\$261,848
Long-term debt	691,750	691,232
Deferred revenue	13,059	13,059
Deferred income tax liability	2,158	2,158
Employee benefits	5	5
Total non-current liabilities	\$706,972	\$706,454
Total liabilities	\$950,257	\$968,302
Share capital	590,004	590,004
Share premium	6,000	6,000
Accumulated deficit	(62,259)	(77,232)
Profit for the period	7,654	14,973
Actuarial losses	(1)	(1)
Total stockholders' equity	\$541,398	\$533,744
Total liabilities and stockholders' equity	\$1,491,655	\$1,502,046

Integradora de Servicios Petroleros Oro Negro S.A.P.I. de C.V.
Unaudited Consolidated Income Statement
(Amounts in US\$'000)

	For the three months ended	
	March 31, 2015	March 31, 2014
Revenue	\$65,464	\$41,236
Operating costs	(32,066)	(29,184)
Gross profit	\$33,398	\$12,052
Administrative expenses	(4,165)	(17,029)
Other income - Net	629	842
Operating profit	\$29,862	(\$4,135)
Finance income, including foreign exchange gains	22	-
Finance costs, including foreign exchange loss	(22,230)	(22,753)
Finance result, net	(22,208)	(22,753)
Income before income tax	\$7,654	(\$26,888)
Income tax	-	-
Net income	\$7,654	(\$26,888)

Integradora de Servicios Petroleros Oro Negro S.A.P.I. de C.V.
Unaudited Consolidated Cash Flow Statement
(Amounts in US\$'000)

	For the three months ended	
	March 31, 2015	March 31, 2014
Operating activities:		
Income before income tax	\$7,654	(\$26,888)
Depreciation and amortization	8,843	6,716
Certification	1,001	-
Deferred costs amortization	2,326	2,042
Deferred revenue amortization	(2,736)	(1,722)
Revenue amortization	-	8,500
Financing cost - Net	22,230	22,753
Cash flow from operating activities	\$39,318	\$11,401
Trade receivables and other assets	25,273	(7,406)
Trade payables and other liabilities	(4,962)	18,931
Net cash provided by/(used in) operating activities	\$59,629	\$22,926
Investing activities:		
Acquisition of property and equipment	(180,692)	(214,167)
Acquisition of intangible assets	-	(33)
Net cash provided by/(used in) in investing activities	(\$180,692)	(\$214,200)
Financing activities:		
Proceeds from ordinary shares issuance	-	40,000
Increase in share premium	-	750
Commissions paid	-	(11,645)
Loans paid	-	(515,000)
Debt restructuring charges	-	(9,018)
Interest paid	(33,578)	(11,648)
Proceeds from borrowings	-	725,000
Net cash flows provided by/(used in) financing activities	(\$33,578)	\$218,439
Increase in cash and cash equivalents	(154,641)	27,165
Cash and cash equivalents at the beginning of the period	232,926	32,587
Cash and cash equivalents at the end of the period	78,285	59,752