# HELMERICH & PAYNE, INC. ANNOUNCES THIRD QUARTER RESULTS AND ADDITIONAL NEW BUILD CONTRACTS

**July 31, 2014**

TULSA, Okla., July 31, 2014 (GLOBE NEWSWIRE) -- Helmerich & Payne, Inc. (NYSE:HP) reported net income of $192.3 million ($1.75 per diluted share) from operating revenues of $952.1 million for the third quarter of fiscal 2014, compared to net income of $266.2 million ($2.46 per diluted share) from operating revenues of $840.2 million during the third fiscal quarter of 2013, and net income of $174.6 million ($1.59 per diluted share) from operating revenues of $893.4 million during the second fiscal quarter of 2014. Included in net income corresponding to this year's third fiscal quarter are approximately $0.13 per diluted share of after-tax gains on the sale of investment securities and approximately $0.01 per diluted share of after-tax gains related to the sale of used drilling equipment. Included in net income corresponding to last year's third fiscal quarter are approximately $0.86 per diluted share of after-tax gains on the sale of investment securities, approximately $0.02 per diluted share of after-tax gains related to the sale of used drilling equipment, and approximately $0.14 per diluted share of after-tax gains on income from discontinued operations. Included in net income corresponding to this year's second fiscal quarter are approximately $0.12 per diluted share of after-tax gains on the sale of investment securities and approximately $0.02 per diluted share of after-tax gains related to the sale of used drilling equipment.

President and CEO John Lindsay commented, "The Company achieved record levels of quarterly revenue, operating income and rig activity after activating 11 new FlexRigs®* during the quarter. We continue to see a strong U.S. land drilling market and expect to benefit from increasing activity, recovering spot pricing levels, and additional customer commitments for new FlexRigs. Since our most recent announcement last month, we have entered into agreements with six exploration and production companies to build and operate 13 additional FlexRigs to drill unconventional resource plays in the U.S. All of these rigs were ordered under multi-year term contracts and are expected to generate attractive economic returns for the Company. The new contracts bring the total number of new build commitments announced in fiscal 2014 to 74 FlexRigs, including 30 since the Company's last quarterly earnings release. As we continue to build on our competitive advantages, our focus will remain on creating value for our shareholders through our efforts to deliver safer, more reliable and efficient operations for our customers."

**Operating Segment Results**

Segment operating income for the Company's U.S. land operations was $271.1 million for the third quarter of fiscal 2014, compared with $236.4 million for last year's third fiscal quarter and $245.1 million for this year's second fiscal quarter. As compared to the second fiscal quarter of this year, segment operating income significantly increased primarily as a result of revenue days increasing by 1,762 (7.3%) to 26,062 during the third fiscal quarter of 2014. The corresponding average rig revenue per day increased by $89 to $28,126 and the average rig expense per day decreased by $45 to $13,035 during the third fiscal quarter. As a result, the average rig margin per day increased by $134 to $15,091 during the third fiscal quarter. Rig utilization for the segment was 88% for this year's third fiscal quarter, compared with 83% for last year's third fiscal quarter and 86% for this year's second fiscal quarter. At June 30, 2014, the Company's U.S. land segment had 289 contracted rigs, including 170 under term contracts.

Segment operating income for the Company's offshore operations was $17.0 million for the third quarter of fiscal 2014, compared with $14.1 million for last year's third fiscal quarter and $19.3 million for this year's second fiscal quarter. The sequential decline in operating income was attributable to a lower average rig margin per day which decreased to $24,303 during the third quarter of fiscal 2014.  Rig utilization in the segment was reported at 89% for both the second and third quarters of fiscal 2014 and also for the third quarter of fiscal 2013.

The Company's international land operations reported segment operating income of $6.6 million for this year's third fiscal quarter, compared with $8.5 million for the third fiscal quarter of 2013 and $11.2 million for this year's second fiscal quarter. The decrease in segment operating income as compared to the second fiscal quarter was mostly attributable to a lower average rig margin per day which decreased to $9,324 during the third quarter of fiscal 2014.

**Drilling Operations Outlook for the Fourth Quarter of Fiscal 2014**

In the U.S. land segment, the Company expects revenue days (activity) to increase by approximately two to three percent during the fourth fiscal quarter as compared to the third fiscal quarter of 2014, even while ten FlexRigs are in the process of transitioning to international operations. The average rig revenue per day is expected to increase to approximately $28,300 and the average rig expense per day is expected to remain at roughly $13,000 during the fourth fiscal quarter. As of today, the U.S. land segment has 292 contracted rigs, including 178 under term contracts.

In the offshore segment, the Company expects the average rig margin per day to be approximately $22,000 during the fourth fiscal quarter and revenue days to increase by approximately one percent as compared to the third fiscal quarter of 2014.

In the international land segment, the Company expects total revenue days during the fourth fiscal quarter to increase by approximately two percent and the average rig margin per day to be down by approximately five percent as compared to the third fiscal quarter of 2014.

**Capital Expenditures and Other Estimates for Fiscal 2014**

The fiscal 2014 capital expenditures total is now expected to be slightly under the Company's prior estimate of $1.1 billion. However, the actual spending level for the fiscal year may vary depending primarily on the timing of procurement related to our ongoing FlexRig construction program.

The Company now expects total depreciation expense for fiscal 2014 to be one to two percent higher as compared to its original estimate of approximately $500 million. General and administrative expenses for the year are now expected to total two to three percent higher as compared to the original estimate of approximately $130 million. The Company's effective income tax rate is expected to be slightly over 35% for fiscal 2014.

**About Helmerich & Payne, Inc.**

Helmerich & Payne, Inc. is primarily a contract drilling company. As of July 31, 2014, the Company's existing fleet includes 333 land rigs in the U.S., 34 international land rigs and 9 offshore platform rigs. In addition, the Company is scheduled to complete another 38 new H&P-designed and operated FlexRigs, all under long-term contracts with customers. Upon completion of these commitments, the Company's global fleet is expected to have a total of 405 land rigs, including 375 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, 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.

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

**HELMERICH & PAYNE, INC.**

**Unaudited**

**(in thousands, except per share data)**

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| **CONSOLIDATED STATEMENTS OF** | **March 31** | **June 30** | | **June 30** | |
| **INCOME** | **2014** | **2014** | **2013** | **2014** | **2013** |
| | | | | | |
| **Operating Revenues:** | | | | | |
| Drilling – U.S. Land | $ 741,791 | $ 802,279 | $ 695,816 | $2,275,744 | $2,077,556 |
| Drilling – Offshore | 63,276 | 64,554 | 53,859 | 186,884 | 167,182 |
| Drilling – International Land | 85,533 | 81,267 | 86,978 | 262,141 | 268,337 |
| Other | 2,830 | 3,987 | 3,544 | 9,900 | 10,003 |
| | 893,430 | 952,087 | 840,197 | 2,734,669 | 2,523,078 |
| | | | | | |
| **Operating costs and expenses:** | | | | | |
| Operating costs, excluding depreciation | 480,167 | 515,239 | 450,990 | 1,469,454 | 1,379,598 |
| Depreciation | 123,963 | 128,978 | 117,790 | 373,178 | 336,822 |

| | | | | | |
|---|---|---|---|---|---|
| General and administrative | 34,431 | 34,222 | 31,090 | 100,896 | 96,347 |
| Research and development | 3,625 | 3,864 | 4,373 | 11,746 | 11,422 |
| Income from asset sales | (4,098) | (2,128) | (4,006) | (11,890) | (14,538) |
| | 638,088 | 680,175 | 600,237 | 1,943,384 | 1,809,651 |
| | | | | | |
| **Operating income** | **255,342** | **271,912** | **239,960** | **791,285** | **713,427** |
| | | | | | |
| Other income (expense): | | | | | |
| Interest and dividend income | 490 | 373 | 341 | 1,316 | 1,082 |
| Interest expense | (1,725) | (1,435) | (2,091) | (4,354) | (4,585) |
| Gain on sale of investment securities | 21,352 | 23,882 | 153,369 | 45,234 | 162,121 |
| Other | (32) | 346 | (1,214) | (31) | (3,195) |
| | 20,085 | 23,166 | 150,405 | 42,165 | 155,423 |
| | | | | | |
| Income from continuing operations before income taxes | 275,427 | 295,078 | 390,365 | 833,450 | 868,850 |
| Income tax provision | 100,838 | 102,788 | 139,387 | 293,389 | 307,194 |
| Income from continuing operations | 174,589 | 192,290 | 250,978 | 540,061 | 561,656 |
| | | | | | |
| Income (loss) from discontinued operations, before income taxes | 2,786 | (11) | 15,181 | 2,775 | 14,701 |

| | | | | | |
|---|---|---|---|---|---|
| Income tax provision | 2,805 | -- | -- | 2,805 | (485) |
| Income (loss) from discontinued operations | (19) | (11) | 15,181 | (30) | 15,186 |
| | | | | | |
| **NET INCOME** | **$ 174,570** | **$ 192,279** | **$ 266,159** | **$ 540,031** | **$ 576,842** |
| | | | | | |
| Basic earnings per common share: | | | | | |
| Income from continuing operations | $ 1.61 | $ 1.77 | $ 2.35 | $ 4.99 | $ 5.26 |
| Income from discontinued operations | $ -- | $ -- | $ 0.14 | $ -- | $ 0.14 |
| | | | | | |
| Net income | $ 1.61 | $ 1.77 | $ 2.49 | $ 4.99 | $ 5.40 |
| | | | | | |
| | | | | | |
| Diluted earnings per common share: | | | | | |
| Income from continuing operations | $ 1.59 | $ 1.75 | $ 2.32 | $ 4.92 | $ 5.19 |
| Income from discontinued operations | $ -- | $ -- | $ 0.14 | $ -- | $ 0.14 |
| | | | | | |
| Net income | $ 1.59 | $ 1.75 | $ 2.46 | $ 4.92 | $ 5.33 |
| | | | | | |
| Weighted average shares outstanding: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Basic | 107,692 | 108,137 | 106,430 | 107,657 | 106,206 |
| Diluted | 109,081 | 109,285 | 107,826 | 109,086 | 107,717 |

**HELMERICH & PAYNE, INC.**

**Unaudited**

**(in thousands)**

| **CONSOLIDATED CONDENSED BALANCE SHEETS** | **June 30, 2014** | **September 30, 2013** |
|---|---|---|
| **ASSETS:** | | |
| Cash and cash equivalents | $ 549,928 | $ 447,868 |
| Other current assets | 893,531 | 806,638 |
| Current assets of discontinued operations | 6,962 | 3,705 |
| Total current assets | 1,450,421 | 1,258,211 |
| Investments | 279,428 | 316,154 |
| Net property, plant, and equipment | 4,943,660 | 4,676,103 |
| Other assets | 19,573 | 14,359 |
| **TOTAL ASSETS** | $ 6,693,082 | $ 6,264,827 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY:** | | |
| Current liabilities | $ 498,935 | $ 449,063 |

| | | |
|---|---|---|
| Current liabilities of discontinued operations | 3,176 | 3,210 |
| Total current liabilities | 502,111 | 452,273 |
| Non-current liabilities | 1,288,098 | 1,288,332 |
| Non-current liabilities of discontinued operations | 3,786 | 495 |
| Long-term notes payable | 80,000 | 80,000 |
| Total shareholders' equity | 4,819,087 | 4,443,727 |
| | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ 6,693,082 | $ 6,264,827 |

**HELMERICH & PAYNE, INC.**

**Unaudited**

**(in thousands)**

| | **Nine Months Ended June 30** | |
|---|---|---|
| **CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS** | **2014** | **2013** |
| **OPERATING ACTIVITIES:** | | |
| Net income | $ 540,031 | $ 576,842 |
| Adjustment for (income) loss from discontinued operations | 30 | (15,186) |
| Income from continuing operations | 540,061 | 561,656 |
| Depreciation | 373,178 | 336,822 |
| Changes in assets and liabilities | (79,086) | 17,230 |
| Gain on sale of assets and investment securities | (57,124) | (176,659) |

| | | |
|---|---|---|
| Other | 20,896 | 22,408 |
| Net cash provided by operating activities from continuing operations | 797,925 | 761,457 |
| Net cash provided by (used in) operating activities from discontinued operations | (30) | 186 |
| **Net cash provided by operating activities** | 797,895 | 761,643 |
| | | |
| **INVESTING ACTIVITIES:** | | |
| Capital expenditures | (622,028) | (618,550) |
| Proceeds from sale of assets and invested securities | 70,690 | 253,950 |
| Net cash used in investing activities from continuing activities | (551,338) | (364,600) |
| Net cash provided by investing activities from discontinued activities | -- | 15,000 |
| **Net cash used in investing activities** | (551,338) | (349,600) |
| | | |
| **FINANCING ACTIVITIES:** | | |
| Dividends paid | (189,542) | (39,519) |
| Exercise of stock options | 22,370 | 6,118 |
| Tax withholdings related to net share settlements of restricted stock | (3,049) | (1,677) |
| Excess tax benefit from stock-based compensation | 25,724 | 7,420 |
| **Net cash used in financing activities** | (144,497) | (27,658) |
| | | |
| **Net increase in cash and cash equivalents** | 102,060 | 384,385 |
| **Cash and cash equivalents, beginning of period** | 447,868 | 96,095 |

| | | |
|---|---|---|
| **Cash and cash equivalents, end of period** | $ 549,928 | $ 480,480 |

| **SEGMENT REPORTING** | **Three Months Ended** | | | **Nine Months Ended** | |
|---|---|---|---|---|---|
| | **March 31** | **June 30** | | **June 30** | |
| | **2014** | **2014** | **2013** | **2014** | **2013** |
| | (in thousands, except days and per day amounts) | | | | |
| **U.S. LAND OPERATIONS** | | | | | |
| Revenues | $741,791 | $802,279 | $695,816 | $2,275,744 | $2,077,556 |
| Direct operating expenses | 378,347 | 408,990 | 348,850 | 1,154,523 | 1,064,088 |
| General and administrative expense | 10,656 | 9,548 | 9,284 | 30,161 | 27,662 |
| Depreciation | 107,726 | 112,639 | 101,294 | 323,944 | 289,032 |
| Segment operating income | $245,062 | $271,102 | $236,388 | $ 767,116 | $ 696,774 |
| | | | | | |
| Revenue days | 24,300 | 26,062 | 22,510 | 73,826 | 66,100 |
| Average rig revenue per day | $ 28,037 | $ 28,126 | $ 28,160 | $ 28,205 | $ 28,152 |
| Average rig expense per day | $ 13,080 | $ 13,035 | $ 12,746 | $ 13,018 | $ 12,821 |
| Average rig margin per day | $ 14,957 | $ 15,091 | $ 15,414 | $ 15,187 | $ 15,331 |
| Rig utilization | 86% | 88% | 83% | 86% | 82% |

| | | | | | |
|---|---|---|---|---|---|
| **OFFSHORE OPERATIONS** | | | | | |
| Revenues | $ 63,276 | $ 64,554 | $ 53,859 | $ 186,884 | $ 167,182 |
| Direct operating expenses | 38,479 | 42,446 | 33,961 | 115,801 | 107,274 |
| General and administrative expense | 2,528 | 2,264 | 2,214 | 7,122 | 6,608 |
| Depreciation | 2,926 | 2,848 | 3,562 | 9,124 | 10,522 |
| Segment operating income | $ 19,343 | $ 16,996 | $ 14,122 | $ 54,837 | $ 42,778 |
| | | | | | |
| Revenue days | 720 | 728 | 728 | 2,184 | 2,184 |
| Average rig revenue per day | $ 64,242 | $ 64,019 | $ 61,380 | $ 63,515 | $ 61,289 |
| Average rig expense per day | $ 36,577 | $ 39,716 | $ 36,272 | $ 37,044 | $ 36,043 |
| Average rig margin per day | $ 27,665 | $ 24,303 | $ 25,108 | $ 26,471 | $ 25,246 |
| Rig utilization | 89% | 89% | 89% | 89% | 89% |
| | | | | | |
| **INTERNATIONAL LAND OPERATIONS** | | | | | |
| Revenues | $ 85,533 | $ 81,267 | $ 86,978 | $262,141 | $268,337 |
| Direct operating expenses | 63,688 | 63,950 | 68,310 | 199,568 | 208,641 |

| | | | | | |
|---|---|---|---|---|---|
| General and administrative expense | 964 | 1,169 | 976 | 3,133 | 2,925 |
| Depreciation | 9,713 | 9,578 | 9,234 | 28,951 | 26,033 |
| Segment operating income (loss) | $ 11,168 | $ 6,570 | $ 8,458 | $ 30,489 | $ 30,738 |
| | | | | | |
| Revenue days | 2,032 | 2,024 | 2,132 | 6,212 | 6,392 |
| Average rig revenue per day | $ 37,095 | $ 35,454 | $ 35,955 | $ 37,025 | $ 37,294 |
| Average rig expense per day | $ 26,177 | $ 26,130 | $ 27,364 | $ 26,826 | $ 27,991 |
| Average rig margin per day | $ 10,918 | $ 9,324 | $ 8,591 | $ 10,199 | $ 9,303 |
| Rig utilization | 78% | 74% | 80% | 78% | 81% |
| | | | | | |
| 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 | $ 60,488 | $ 69,267 | $ 61,944 | $ 193,455 | $ 216,724 |
| Offshore Operations | $ 4,920 | $ 5,364 | $ 4,045 | $ 13,050 | $ 16,434 |
| International Land Operations | $ 10,157 | $ 9,508 | $ 10,323 | $ 32,145 | $ 29,955 |

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 | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | March 31 | June 30 | | June 30 | |
| | 2014 | 2014 | 2013 | 2014 | 2013 |
| **Operating income** | | | | | |
| U.S. Land | $245,062 | $271,102 | $236,388 | $767,116 | $696,774 |
| Offshore | 19,343 | 16,996 | 14,122 | 54,837 | 42,778 |
| International Land | 11,168 | 6,570 | 8,458 | 30,489 | 30,738 |
| Other | (2,244) | (1,490) | (2,464) | (6,739) | (6,638) |
| **Segment operating income** | $273,329 | $293,178 | $256,504 | $845,703 | $763,652 |
| Corporate general and administrative | (20,283) | (21,241) | (18,616) | (60,480) | (59,152) |
| Other depreciation | (3,172) | (3,479) | (3,096) | (9,895) | (9,337) |

| | | | | | |
|---|---|---|---|---|---|
| Inter-segment elimination | 1,370 | 1,326 | 1,162 | 4,067 | 3,726 |
| Income from asset sales | 4,098 | 2,128 | 4,006 | 11,890 | 14,538 |
| **Operating income** | **$255,342** | **$271,912** | **$239,960** | **$791,285** | **$713,427** |
| | | | | | |
| Other income (expense): | | | | | |
| Interest and dividend income | 490 | 373 | 341 | 1,316 | 1,082 |
| Interest expense | (1,725) | (1,435) | (2,091) | (4,354) | (4,585) |
| Gain on sale of investment securities | 21,352 | 23,882 | 153,369 | 45,234 | 162,121 |
| Other | (32) | 346 | (1,214) | (31) | (3,195) |
| Total other income (expense) | 20,085 | 23,166 | 150,405 | 42,165 | 155,423 |
| | | | | | |
| **Income from continuing operations before income taxes** | **$275,427** | **$295,078** | **$390,365** | **$833,450** | **$868,850** |

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Source: Helmerich & Payne, Incorporated