

Oil Services

Norway

Results Analysis

16 November 2012

# Sevan Drilling

# Buy

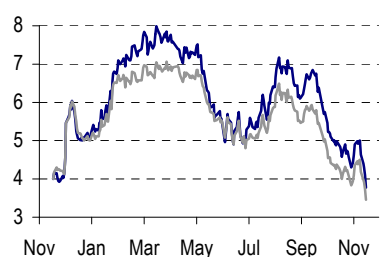
## Key Data (2012E)

Price (NOK)	3.78
Target price (NOK)	9.00
- changed from (NOK)	11.00
Recommendation	Buy
Risk	High
Reuters	SEVDR.OL
Bloomberg	SEVDR NO
Market cap (NOKm)	1,274
Market cap (USDm)	221
Market cap (EURm)	173
Net debt (USDm)	771
Net gearing	118%
Shares fully dil. (m)	337.0
Avg daily turnover (NOKm)	12.3

## Share Price Performance (%)

	-1M	-3M	-12M
SEVDR.OL	(23)	(44)	(10)
Relative Norway	(19)	(42)	(16)
Relative sector	(16)	(42)	(21)

## Share Price (12M)



Absolute performance (blue) / Relative to Norway (grey).

## Analysts

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## Working hard with the banks

### ■ Target price lowered to NOK 9

After securing a cash covenant waiver to the end of 2012, the company is discussing amendments to its covenants and amortisation schedules, and expects to reach agreement before the year-end. It is increasingly apparent that the strict loan requirements create a trap for the cash generated by Sevan Drilling that, unless significantly eased, could create liquidity strains. With no more drawdowns on Cosco's vendor credit facility likely, we think an equity issue would strengthen the balance sheet and provide more flexibility in the bank discussions. Applying a USD 100m equity injection to our valuation leads to an end-2013E NAV of NOK 9 per share, our new target, supported by an end-2013E DCF of NOK 12 per share.

### ■ Newbuild options postponed

Sevan Drilling continues to market newbuilds no.3 and no.4, with Petrobras as the most likely taker, in our view. However, with the Brazilian giant still reviewing its future rig portfolio strategy, we think contracts are more likely to be secured in 2013 than in 2012. Probably in light of this, the company has postponed the exercise date for its two newbuild options from December 2012 to March 2013 at no cost.

### ■ Q3 in line with estimates

The Q3 EBITDA of USD 23m was marginally short of our USD 25m estimate. We have adjusted our estimates for the Q3 results, Brazil working on a stand-by dayrate during the BOP repairs, a minor increase in SG&A costs, amortisation of financing fees and planned maintenance on Driller postponed from Q4 2012 until Q1 2013. We have raised our 2012 EBITDA estimate by 6% for 2012, but cut our EBITDA by 11% for 2013 and 5% for 2014.

## Financials (USD)

Year end: Dec	2010	2011	2012E	2013E	2014E
Revenues (m)	8	116	177	280	387
Operating profit (m)	(14)	8	10	60	120
Pre-tax profit (m)	(17)	(43)	(32)	1	26
EPS (reported)	(0.05)	(0.15)	(0.05)	0.00	0.07
EPS (adjusted)	(0.05)	(0.15)	(0.05)	0.00	0.07
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	n.m.	n.m.	52.3	58.7	38.3
Operating profit growth (%)	0.0	n.m.	30.4	508.0	99.9
EPS (adjusted) growth (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Operating margin (%)	(180.8)	6.6	5.6	21.5	31.1
ROE (%)	183.9	(15.4)	(2.6)	0.1	3.4
ROCE (%)	150.8	1.0	0.7	3.6	6.0
PER (x)	0.0	n.m.	n.m.	n.m.	9.8
Free cash flow yield (%)	n.a.	(150.0)	(42.2)	(163.0)	(189.3)
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	0.00	0.43	0.34	0.34	0.33
EV/Sales (x)	0.00	8.28	5.62	4.80	4.54
EV/EBITDA (x)	0.0	29.4	19.0	11.4	9.2
EV/EBIT (x)	0.0	126.2	100.1	22.3	14.6
Operating cash flow/EV (%)	n.a.	(0.4)	3.5	5.3	3.8
EV/Capital employed (x)	0.00	0.63	0.66	0.74	0.81

Source for all data on this page: SEB Enskilda (estimates) and SIX/Thomson Reuters Datastream (prices)

## Q3 results

Sevan Drilling's Q3 EBITDA of USD 23m was marginally short of our USD 25m estimate. The impact of currencies on the deferred tax asset turned the reported net profit into positive territory. Cash was USD 78m at end-Q3, some USD 20m below our estimate, and probably due to the advanced payment from Cosco related to project management taking place in October. BOP repairs on Brazil have been completed, now undergoing final testing.

### Forecast deviation

(USDm)	Actual Q2/12	Enskilda Q2/12E	Diff. (%)
<b>Total revenue</b>	<b>58</b>	<b>64</b>	(10)
Operating expenses	(35)	(39)	(11)
<b>EBITDA</b>	<b>23</b>	<b>25</b>	(7)
Depreciation	(13)	(13)	3
<b>Operating profit</b>	<b>11</b>	<b>13</b>	(17)
Net finance	(16)	(13)	22
Pre-tax profit	(5)	(0)	n.m.
Payable taxes	7	0	n.m.
<b>Net profit</b>	<b>2</b>	<b>(0)</b>	n.m.
<b>EPS (reported)</b>	<b>0.01</b>	<b>(0.00)</b>	n.m.

Source: SEB Enskilda

We have adjusted our estimates for the Q3 results, Brazil working on a stand-by dayrate of USD 320,000/day during the BOP repairs, a minor increase in SG&A costs, amortisation of financing fees and planned maintenance on Driller postponed from Q4 2012 until Q1 2013.

### Earnings estimate revisions

	2012E	2013E	2014E
Revenue (New)	176	280	387
Revenue (Old)	177	291	393
Change (%)	(0)	(4)	(2)
EBITDA (New)	52	118	190
EBITDA (Old)	49	132	200
Change (%)	6	(11)	(5)
EBIT (New)	10	60	120
EBIT (Old)	7	75	131
Change (%)	41	(20)	(8)
EPS (New)	(0.05)	0.00	0.07
EPS (Old)	(0.06)	0.06	0.11
Change (%)	(15)	(96)	(39)

Source: SEB Enskilda

### Interim financial statement

(USDm)	Q1/11	Q2/11E	Q3/11E	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12E	2011E	2012E	2013E	2014E
<b>Revenues</b>	<b>34</b>	<b>33</b>	<b>37</b>	<b>38</b>	<b>31</b>	<b>27</b>	<b>58</b>	<b>61</b>	<b>142</b>	<b>177</b>	<b>280</b>	<b>387</b>
Operating expenses	(20)	(19)	(23)	(32)	(28)	(22)	(35)	(40)	(93)	(124)	(162)	(197)
<b>EBITDA</b>	<b>14</b>	<b>15</b>	<b>13</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>23</b>	<b>21</b>	<b>49</b>	<b>52</b>	<b>118</b>	<b>190</b>
Depreciation	(9)	(9)	(9)	(6)	(7)	(7)	(13)	(14)	(34)	(42)	(58)	(70)
<b>EBIT</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>(5)</b>	<b>(2)</b>	<b>10</b>	<b>7</b>	<b>15</b>	<b>10</b>	<b>60</b>	<b>120</b>
Net finance	(24)	(8)	(14)	(8)	(4)	(8)	(16)	(14)	(54)	(42)	(59)	(94)
<b>Pre-tax profit</b>	<b>(19)</b>	<b>(2)</b>	<b>(11)</b>	<b>(7)</b>	<b>(9)</b>	<b>(11)</b>	<b>(5)</b>	<b>(8)</b>	<b>(39)</b>	<b>(32)</b>	<b>1</b>	<b>27</b>
Tax	3	(4)	(1)	(1)	5	2	7	1	(3)	15	(0)	(4)
<b>Net profit</b>	<b>(16)</b>	<b>(6)</b>	<b>(12)</b>	<b>(9)</b>	<b>(3)</b>	<b>(9)</b>	<b>2</b>	<b>(7)</b>	<b>(42)</b>	<b>(17)</b>	<b>1</b>	<b>23</b>
Shares outstanding	337	337	337	337	337	337	337	337	337	337	337	337
<b>EPS</b>	<b>(0.05)</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>0.01</b>	<b>(0.02)</b>	<b>(0.13)</b>	<b>(0.05)</b>	<b>0.00</b>	<b>0.07</b>

Source: SEB Enskilda

## Valuation impact of USD 100m equity issue

It is becoming increasingly apparent that the strict loan requirements create a trap for the cash generated by Sevan Drilling that, unless significantly eased, will create liquidity strains. With more drawdowns on Cosco's vendor credit facility unlikely, we think an equity issue would strengthen the balance sheet and provide more flexibility in discussions with banks. A USD 100m equity issue at NOK 3.50 per share would imply 164m new shares, taking the total share count to 501m shares.

### Cash situation accounting for USD 100m equity injection

(USDm)	Q2/12	Q3/12	Q4/12E	Q1/13E	Q2/13E	Q3/13E	Q4/13E	Q1/14E	Q2/14E	Q3/14E	Q4/14E
Operational CF	5	7	29	18	22	23	15	21	14	2	36
CAPEX	(22)	30	(8)	(3)	(3)	(3)	(424)	(4)	(471)	(5)	(5)
<b>Free cash flow</b>	(17)	36	21	15	19	20	(408)	17	(457)	(3)	31
Net change in debt	(17)	(14)	(14)	(38)	(29)	(29)	421	(30)	420	(31)	(31)
Equity	0	0	0	100	0	0	0	0	0	0	0
<b>Net change in cash</b>	(33)	22	7	78	(10)	(9)	13	(13)	(37)	(33)	0
Cash	56	78	85	163	153	145	158	145	108	75	75
Restricted cash	26	55	55	55	55	55	55	55	55	55	55
Free cash	30	23	30	108	98	90	103	90	53	20	20

Source: SEB Enskilda

While secondhand values for UDW assets are approaching previous peak levels, there is still uncertainty over the secondhand value of Sevan's cylindrical units. From a cashflow perspective, a newbuild capex of USD 526m with 30-year linear depreciation, annual maintenance capex of USD 5m and SPS capex of USD 25m, indicates a rig value of USD 585m.

### Value per Sevan rig

Newbuild capex	526	Rate (\$/d)	500	500	500	500	500
Depreciation (%)	18	Utilisation	90	95	95	95	95
BV after 5Y	438	Opex (\$/d)	200	200	200	200	200
Discount rate	10%	EBITDA	91	100	100	100	100
		(\$m)					
		Capex (\$m)	5	5	5	5	30
<b>NPV</b>	<b>585</b>	<b>FCF (\$m)</b>	<b>86</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>70</b>

Source: SEB Enskilda

Applying secondhand values of USD 585m per rig, we derive an end-2013 NAV of NOK 9.7 per share. If all rigs were valued at newbuild capex of USD 526m, this would imply an end-2013E NAV of NOK 7.0 per share.

### NAV

(USDm)	End-2012E	End-2013E
Sevan Driller	585	585
Sevan Brasil	585	585
Sevan #3	585	585
Sevan #4	585	585
<b>Gross asset value</b>	<b>2,340</b>	<b>2,340</b>
NIBD	771	1,025
Remaining capex	888	467
<b>NAV</b>	<b>681</b>	<b>848</b>
No of shares (m)	501	501
<b>NAV per share USD</b>	<b>1.4</b>	<b>1.7</b>
USD/NOK	5.75	5.75
<b>NAV per share NOK</b>	<b>7.8</b>	<b>9.7</b>

Source: SEB Enskilda

**DCF summary (WACC 10%)**

(USDm)	End-2012E	End-2013E
NPV forecast period	1,369	1,333
NPV terminal value	1,421	1,563
Sum	2,790	2,896
SG&A, other	-287	-286
NPV capex forecast period	-845	-498
EV	1,658	2,112
NIBD	771	1,025
DCF value of equity	887	1,087
Outstanding shares (m)	501	501
DCF per share (USD)	1.8	2.2
USD / NOK	5.75	5.75
<b>DCF per share (NOK)</b>	<b>10.2</b>	<b>12.5</b>

Source: SEB Enskilda

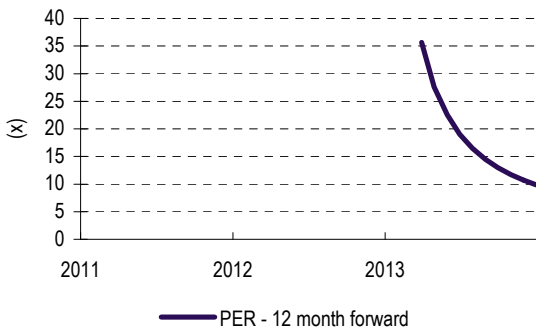
With new equity, we would derive an end-2012 implied value per rig of around USD 500m. Our secondhand value estimate of USD 585m implies some NOK 8 per share.

**Implied value per rig**

	Q3/12	End-2012E	End-2013E	End-2014E
USD/NOK	5.75	5.75	5.75	5.75
<b>Share price (NOK)</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>
No of shares (m)	337	501	501	501
Mcap	222	329	329	329
NIBD	793	771	1,025	1,436
EV	1,015	1,100	1,354	1,765
Remaining capex	888	888	467	0
Fully invested EV	1,903	1,988	1,821	1,765
No of rigs	4	4	4	4
<b>EV/rig</b>	<b>476</b>	<b>497</b>	<b>455</b>	<b>441</b>

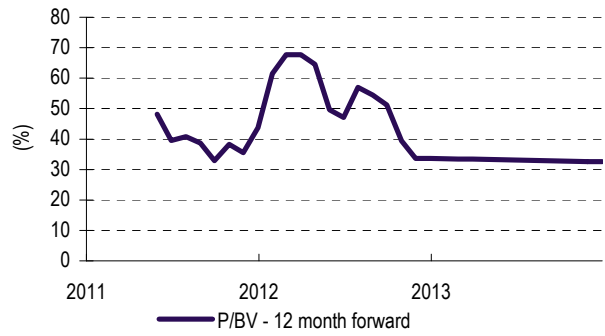
Source: SEB Enskilda

PER - 12 month forward



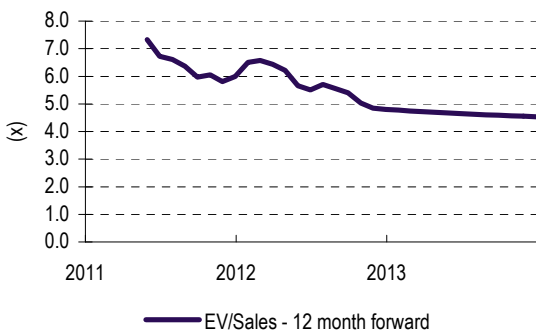
Source: SEB Enskilda

P/BV - 12 month forward



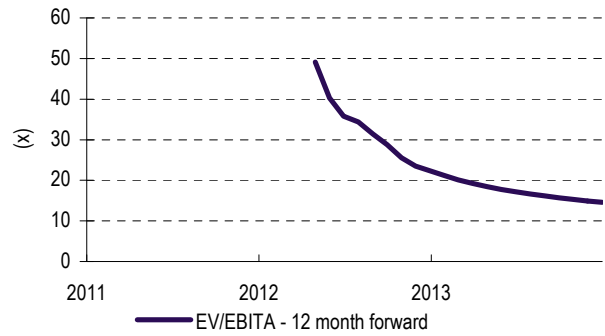
Source: SEB Enskilda

EV/Sales - 12 month forward



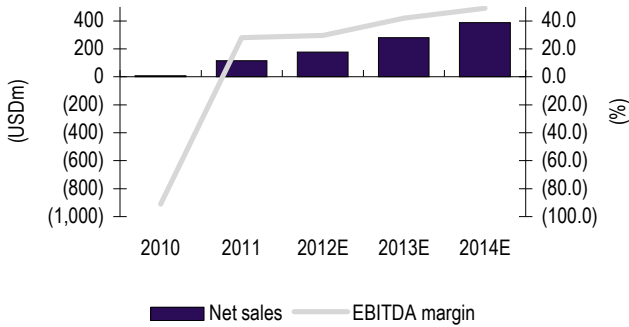
Source: SEB Enskilda

EV/EBITA - 12 month forward



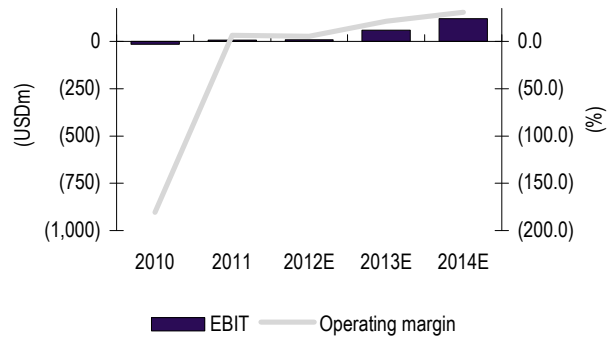
Source: SEB Enskilda

Net sales & EBITDA margin



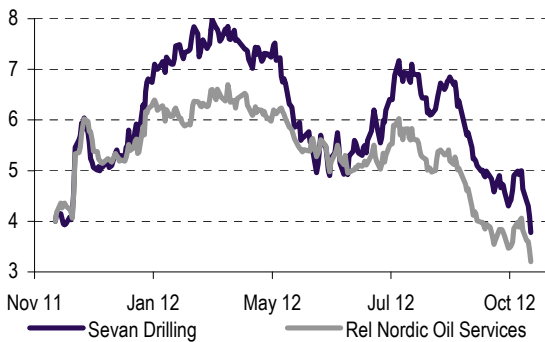
Source: SEB Enskilda

EBIT & Operating margin



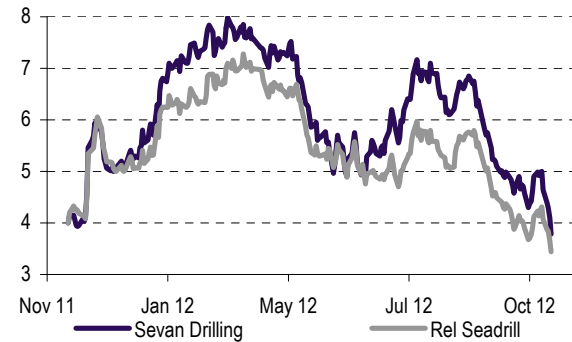
Source: SEB Enskilda

Comparison with sector index - 1 year



Source: SIX

Comparison with Seadrill - 1 year



Source: SIX

**Profit & loss statement**

(USDm)	2010	2011	2012E	2013E	2014E
Net Sales	8	116	177	280	387
Other revenues	0	0	0	0	0
<b>Total revenues</b>	<b>8</b>	<b>116</b>	<b>177</b>	<b>280</b>	<b>387</b>
Total expenses	(15)	(83)	(124)	(162)	(197)
<b>Profit before depreciation</b>	<b>(7)</b>	<b>33</b>	<b>52</b>	<b>118</b>	<b>190</b>
Depreciation - Fixed assets	(7)	(25)	(42)	(58)	(70)
Depreciation - Other assets	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	0	0
<b>Operating profit</b>	<b>(14)</b>	<b>8</b>	<b>10</b>	<b>60</b>	<b>120</b>
Net interest expenses	(2)	(48)	(34)	(49)	(84)
Foreign exchange items	(1)	(3)	(9)	(10)	(10)
Other financial items	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>(17)</b>	<b>(43)</b>	<b>(32)</b>	<b>1</b>	<b>26</b>
Minority interests	0	0	0	0	0
Total taxes	(1)	(7)	15	(0)	(4)
<b>Reported profit after tax</b>	<b>(18)</b>	<b>(50)</b>	<b>(17)</b>	<b>1</b>	<b>22</b>
Discontinued operations	0	0	0	0	0
Extraordinary items	0	0	0	0	0
<b>Net Profit</b>	<b>(18)</b>	<b>(50)</b>	<b>(17)</b>	<b>1</b>	<b>22</b>
Adjustments:					
Discontinued operations	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0
Value changes	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0
Restructuring charges	0	0	0	0	0
Other adjustments	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	0
<b>Adjusted profit after tax</b>	<b>(18)</b>	<b>(50)</b>	<b>(17)</b>	<b>1</b>	<b>22</b>
<b>Margins, tax &amp; returns</b>					
Operating margin	n.m.	6.6	5.6	21.5	31.1
Pre-tax margin	n.m.	(37.2)	(18.4)	0.3	6.8
Tax rate	(5.8)	(16.2)	47.4	10.0	15.0
ROE	183.9	(15.4)	(2.6)	0.1	3.4
ROCE	150.8	1.0	0.7	3.6	6.0
<b>Growth rates y-o-y (%)</b>					
Total revenues	n.a.	1,385.9	52.3	58.7	38.3
Operating profit	n.m.	n.m.	30.4	508.0	99.9
Pre-tax profit	n.m.	n.m.	n.m.	n.m.	2,942.4
EPS (adjusted)	0.0	0.0	0.0	0.0	2,773.4

**Cash flow**

(USDm)	2010	2011	2012E	2013E	2014E
Net profit	(18)	(50)	(17)	1	22
Non-cash adjustments	7	92	10	62	74
<b>Cash flow before work cap</b>	<b>(11)</b>	<b>42</b>	<b>(7)</b>	<b>62</b>	<b>96</b>
Ch. in working capital / Other	219	(46)	42	9	(30)
<b>Operating cash flow</b>	<b>208</b>	<b>(4)</b>	<b>35</b>	<b>71</b>	<b>66</b>
Capital expenditures	(1,172)	(427)	(128)	(431)	(485)
Asset disposals	0	0	0	0	0
L/T financial investments	0	0	0	0	0
Acquisitions / adjustments	0	0	(5)	0	0
<b>Free cash flow</b>	<b>(964)</b>	<b>(430)</b>	<b>(98)</b>	<b>(360)</b>	<b>(418)</b>
Net loan proceeds	0	161	(13)	326	328
Dividend paid	0	0	0	0	0
Share issue	0	248	0	0	0
Other	0	210	6	0	0
<b>Net change in cash</b>	<b>(964)</b>	<b>189</b>	<b>(105)</b>	<b>(34)</b>	<b>(90)</b>
<b>Adjustments</b>					
C/flow bef chng in work cap	(11)	42	(7)	62	96
Adjustments	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0
Cash earnings	(11)	42	(7)	62	96
<b>Per share information</b>					
Cash earnings	(0.03)	0.12	(0.02)	0.19	0.28
Operating cash flow	0.62	(0.01)	0.1	0.21	0.2
Free cash flow	(2.86)	(1.28)	(0.29)	(1.07)	(1.24)
<b>Investment cover</b>					
Capex/sales (%)	15,023.0	368.0	72.4	153.9	125.1
Capex/depreciation (%)	16,740	1,706	303	748	697

Source for all data on this page: SEB Enskilda

**Balance sheet**

(USDm)	2010	2011	2012E	2013E	2014E
Cash and liquid assets	2	189	84	50	(40)
Debtors	3	22	57	68	113
Inventories	0	0	0	0	0
Other	1	14	0	0	0
<b>Current assets</b>	<b>7</b>	<b>224</b>	<b>141</b>	<b>118</b>	<b>73</b>
Interest bearing fixed assets	0	0	0	0	0
Other financial assets	0	0	0	0	0
Capitalized development cost	0	0	0	0	0
Goodwill	0	0	0	0	0
Other intangibles	0	0	0	0	0
Fixed tangible assets	327	1,319	1,442	1,815	2,230
Other fixed assets	38	56	56	52	48
<b>Fixed assets</b>	<b>365</b>	<b>1,375</b>	<b>1,498</b>	<b>1,867</b>	<b>2,278</b>
<b>Total assets</b>	<b>372</b>	<b>1,600</b>	<b>1,639</b>	<b>1,985</b>	<b>2,351</b>
Creditors	224	40	103	123	138
Other trade financing	0	0	0	0	0
S/T interest bearing debt	0	77	118	118	118
Other	0	0	0	0	0
<b>Current liabilities</b>	<b>224</b>	<b>117</b>	<b>221</b>	<b>241</b>	<b>256</b>
L/T interest bearing debt	1	784	731	1,057	1,385
Other long-term liabilities	167	26	26	26	26
Convertible debt	0	0	0	0	0
Pension provisions	0	0	6	6	6
Other provisions	0	0	(0)	0	(0)
Deferred tax	0	0	0	0	0
<b>Long term liabilities</b>	<b>168</b>	<b>811</b>	<b>763</b>	<b>1,089</b>	<b>1,417</b>
Minority interests	0	0	0	0	0
<b>Shareholders' equity</b>	<b>(20)</b>	<b>672</b>	<b>655</b>	<b>656</b>	<b>678</b>
<b>Total liabilities and equity</b>	<b>372</b>	<b>1,600</b>	<b>1,639</b>	<b>1,986</b>	<b>2,351</b>
Net debt (m)	(1)	673	771	1,125	1,536
Working capital (m)	(219)	(4)	(46)	(55)	(25)
Capital employed (m)	(19)	1,533	1,510	1,830	2,175
Net debt/equity (%)	3	100	118	171	226
Equity/total assets (%)	(5)	42	40	33	29
Interest cover	(7.1)	0.2	0.3	1.2	1.4

**Valuation**

(USD)	2010	2011	2012E	2013E	2014E
No of shares, fully dil. (y/e)	337.0	337.0	337.0	337.0	337.0
No of shares, fully dil. avg.	337.0	337.0	337.0	337.0	337.0
Share price, y/e	0.0	5.1	3.8	3.8	3.8
Share price, high	0.0	7.8	8.0		
Share price, low	0.0	3.2	3.8		
Share price, avg	0.0	4.7	6.2		
EPS (reported)	(0.05)	(0.15)	(0.05)	0.00	0.07
EPS (adjusted)	(0.05)	(0.15)	(0.05)	0.00	0.07
Cash earnings/share	(0.03)	0.12	(0.02)	0.19	0.28
Dividend/share	0.00	0.00	0.00	0.00	0.00
Enterprise value/share	0.0	2.8	2.9	4.0	5.2
Book value/share	(0.1)	2.0	1.9	1.9	2.0
Adjusted equity/share	(0.1)	2.0	1.9	1.9	2.0
PER (adjusted)	0.0	n.m.	n.m.	n.m.	9.8
CEM	0.0	6.8	(32.0)	3.5	2.3
Dividend yield	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	0.0	29.4	19.0	11.4	9.2
EV/EBIT	0.0	126.2	100.1	22.3	14.6
EV/Sales (x)	0.00	8.28	5.62	4.80	4.54
Price/Book value	0.00	0.43	0.34	0.34	0.33
Price/adjusted equity	0.00	0.43	0.34	0.34	0.33
Free cash flow/Market cap (%)	n.a.	(150.0)	(42.2)	(163.0)	(189.3)

**Main shareholders**

Main shareholders			Management		Company information	
Name	(%)	Votes	Capital	Title	Name	Contact
Seadrill	28.5		28.5	COB	Erling Lind	Internet
SKAGEN VEKST	5.2		5.2	CEO	Scott I. Kerr	Phone number
BNYM AS	4.2		4.2	CFO	Jon H. Wilmann	Fax number
				IR	Jon H. Wilmann	

Source for all data on this page: SEB Enskilda

# Target prices and risks

## Target price definition and associated risks

Our target price is the analyst's assessment of what total return an investor should expect over the coming six to 12 months. The target is based on fundamental equity research and other factors at the analyst's discretion.

Our current target price of NOK 9 was set today (16 Nov 2012). The main risk to our target price on Sevan Drilling is as follows. The main risks include significant idle time for uncontracted rigs; delays and capex overruns on newbuilds under construction; unexpected downtime for rigs in operation; more extensive and costly maintenance of rigs and escalating cost inflation. The company needs to secure its remaining funding to finance construction and delivery of its two newbuilds and is therefore dependent on a functioning capital market. With only two rigs in operation the operational risk is higher in the event of downtime.

## Risk levels

The risk level is the analyst's view of the uncertainty in the earnings forecasts based on an assessment of the company's business model, operating risk as well as financial risk. We use two risk levels with the following explanations:

- **Normal risk:** All forecasts involve uncertainty and we view companies in this risk level to have normal forecast risks
- **High risk:** The earnings forecasts are more uncertain than for an average listed company due to business model, operating risk, financial risk or any other reason at the analyst's discretion. All companies with shorter track record than 12 months as a listed company are by definition classified as high risk according to SEB Enskilda.



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Within the past 12 months SEB has been involved in a public offering and/or underwriting of Sevan Drilling.

The analyst(s) responsible for this report (jointly with their closely related persons) hold(s) 0 shares, employees of SEB, Oslo Branch hold 0 shares, and SEB, Oslo Branch holds 155000 shares in Sevan Drilling (not including shares held as hedge against derivatives positions).

Current recommendation for Sevan Drilling - Buy - was set on 13 Dec 2011. The dates of previous recommendation changes in relation to Sevan Drilling can be found on our Research Online website.

## SEB Enskilda's standardised recommendation structure

		Consolidated distribution as per 30 Sep 2012 (%)	Corporate Finance clients last 12M. Distribution as per 30 Sep 2012 (%)
<b>Buy</b>	Attractive risk/reward - at least 10% upside to target price.	57.1	10.3
<b>Hold</b>	Fairly valued - the shares are trading close to target price.	36.1	4.2
<b>Sell</b>	Unattractive risk/reward - the shares are trading above target price.	6.8	0.6

**Unrated** Company not covered, or we are not allowed to have a recommendation for compliance reasons.

### Target price and recommendation revision history



Source: Thomson Datastream/SIX/SEB Enskilda

**Please note:** In the chart above, 1=Buy, 2=Hold and 3=Sell. The grey spots mark the point where target prices have been changed. The price chart is not adjusted for dividends paid, whereas our recommendations are based on expected return including dividends. Prior to 14 May 2007 a 1/Buy was expected to return more than 15%, a 2/Accumulate between 5 and 15% and a 3/Reduce less than 5%, including dividends, within 6-12 months

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