Forward-Looking Statements

Statements herein that are not historical facts are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements as to the expectations, beliefs and future expected business, financial and operating performance and prospects of the Company and our joint venture with Saudi Aramco. These forward-looking statements are based on our current expectations and are subject to numerous risks, assumptions, trends and uncertainties that could cause actual results to differ materially from those indicated by the forward-looking statements.

Among the factors that could cause actual results to differ materially include oil and natural gas prices and the impact of the economic climate; changes in the offshore drilling market, including fluctuations in supply and demand; variable levels of drilling activity and expenditures in the energy industry; changes in day rates; ability to secure future drilling contracts; cancellation, early termination or renegotiation by our customers of drilling contracts; customer credit and risk of customer bankruptcy; risks associated with fixed cost drilling operations; unplanned downtime; risks related to our joint venture with Saudi Aramco; cost overruns or delays in transportation of drilling units; cost overruns or delays in maintenance, upgrade, repairs, or other rig projects; operating hazards and equipment failure; risks of collision and damage; casualty losses and limitations on insurance coverage; weather conditions in the Company's operating areas; increasing costs of compliance with regulations; changes in tax laws and interpretations by taxing authorities; hostilities, terrorism, and piracy in our areas of operations that may result in loss or seizure of assets or interruption of operations; impairments; a cyber incident which impairs our ability to conduct operations; the outcome of disputes, including tax disputes and legal proceedings; and other risks disclosed in the Company's filings with the U.S. Securities and Exchange Commission.

Each forward-looking statement speaks only as of the date hereof, and the Company expressly disclaims any obligation to update or revise any forward-looking statements, except as required by law.
<table>
<thead>
<tr>
<th>1923</th>
<th>Was the year the Rowan brothers founded the company as a contract drilling business</th>
</tr>
</thead>
<tbody>
<tr>
<td>70+</td>
<td>Years of experience in offshore drilling, starting in the 1940s</td>
</tr>
<tr>
<td></td>
<td>RDC: Listed on the New York Stock Exchange since 1975</td>
</tr>
<tr>
<td>27</td>
<td>Total fleet of four drillships and 23 jack-ups,(^{(1)}) deployed across the globe</td>
</tr>
<tr>
<td>~2,400</td>
<td>Employees globally(^{(2)})</td>
</tr>
<tr>
<td>100%</td>
<td>Percent of our business dedicated to offshore drilling</td>
</tr>
</tbody>
</table>

Seven recent first place rankings as leading offshore driller for HPHT applications per EnergyPoint Research

---

\(^{(1)}\) Includes the recent purchase of the P-59 / P-60 from Petrobras
\(^{(2)}\) Excludes ARO Drilling employees
Rowan is well positioned to navigate the current challenging market

Visible Growth Through ARO Drilling
- Groundbreaking partnership with Saudi Aramco
- Visible earnings growth over the next 15+ years
- Competitively positioned with the largest global user of jack-up rigs

Quality Assets and Focus on Demanding Drilling
- Top-tier, well-maintained ultra-deepwater drillship fleet with strong operational track-record
- Modern, high-specification jack-up fleet strategically positioned in key global markets
- Experienced and proven workforce; strong processes focused on performance

Sustainable Capital Structure
- Robust liquidity profile
- Cash-on-hand covers all maturities through 2023
- Undrawn $1.5 billion revolving credit facility

Well Positioned for Market Recovery
- “Break even” costs coming down creating opportunities for more offshore drilling
- Jack-up market bottoming
- 7th generation UDW drillships expected to return to work earlier in recovery
Visible Growth Through ARO Drilling
ARO Drilling – Key Investment Takeaways

Partnering with the **largest customer** for jack-ups in the world in the **largest region** for jack-ups in the world

**High utilization** for contributed assets for the **remainder of their useful lives** – five total from Rowan (two later this year) and two from Saudi Aramco

**Strong visible organic growth** – expect twenty newbuilds against long-term contracts. Expected returns are commensurate to Rowan’s target for similar risk profile opportunities. Newbuild program projected to be **self-funding** at the ARO Drilling level

Opportunity to **contract additional assets** to ARO Drilling through agreed leasing structure

ARO Drilling expected to generate substantial **long term cash flow**

Details in Rowan’s 2016 10-K, dated February 24, 2017
ARO Drilling provides visible earnings growth for Rowan over the next 15+ years

<table>
<thead>
<tr>
<th>Year</th>
<th>SAR-201</th>
<th>SAR-202</th>
<th>Gilbert Rowe</th>
<th>Bob Keller</th>
<th>J.P. Bussell</th>
<th>Scooter Yeargain</th>
<th>Hank Boswell</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$79K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>$195K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2045</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2055</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2060</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2065</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please reference the ARO Appendix or Schedules 4-6 of the Shareholder Agreement attached as Exhibit 10.38 to Rowan’s 10-K (pages 80-93)
Quality Assets and Focus on Demanding Drilling
“Our mission is to be recognized by our customers as the most efficient and capable provider of demanding contract drilling services”

Rowan ranks #1 among offshore drillers for HPHT applications in seven out of the last eight EnergyPoint Research Inc. surveys.
Rowan has a leading position in high-specification jack-ups

<table>
<thead>
<tr>
<th>Number of delivered high-specification jack-ups¹</th>
<th>Customers Demand Higher-Specification Rigs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rowan</td>
<td>▪ Flexibility to address technical needs across diverse wellbore portfolios</td>
</tr>
<tr>
<td>Noble</td>
<td>▪ Focus on achieving lower wellbore costs</td>
</tr>
<tr>
<td>Seadrill / NADL / SeaMex</td>
<td>▪ Comply with higher regulatory standards</td>
</tr>
<tr>
<td>Maersk Drilling</td>
<td>▪ Rowan specializes in rigs that have:</td>
</tr>
<tr>
<td>Borr Drilling / Paragon</td>
<td>▪ 2,000,000+ lb hookload capability</td>
</tr>
<tr>
<td>Ensco</td>
<td>▪ Rugged and reliable legs and jacking systems</td>
</tr>
<tr>
<td>COSL</td>
<td>▪ Efficient, high pressure drilling systems</td>
</tr>
<tr>
<td>Aban Offshore</td>
<td></td>
</tr>
<tr>
<td>ARO Drilling</td>
<td></td>
</tr>
<tr>
<td>Perforadora Mexico</td>
<td></td>
</tr>
<tr>
<td>KCA Deutag</td>
<td></td>
</tr>
<tr>
<td>Japan Drilling</td>
<td></td>
</tr>
<tr>
<td>Drilling Company Int.</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

¹ Approximately 50 additional high-specification jack-ups are currently on order or under construction. Includes data supplied by IHS-Petrodata, Inc. Copyright 2018 and Rowan Companies as of March 2018. High-specification jack-ups are defined as jack-ups having 2,000,000+ lb hookload capability.
Harsh vs. benign environment jack-ups is an important distinction – Rowan also has a leading position

<table>
<thead>
<tr>
<th>Company</th>
<th>Ultra-Harsh Environment</th>
<th>Harsh Environment</th>
<th>Benign Environment</th>
<th>Vintage (&gt;20 yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rowan</td>
<td>7</td>
<td>3</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Maersk</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Seadrill</td>
<td>2</td>
<td>5</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Noble</td>
<td>1</td>
<td>9</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Borr</td>
<td>8</td>
<td>8</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Ensco</td>
<td>5</td>
<td>16</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>COSL</td>
<td>3</td>
<td>19</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Shelf</td>
<td>5</td>
<td></td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

**Benefits of Harsh Environment Jack-ups**

- Harsh environment rigs are required to work in most areas of the recovering North Sea market
- Further, in Norway and the deeper waters of the central North Sea, Ultra-Harsh rigs are usually required
- Due to the superior capabilities from their larger size, about half of all harsh environment rigs are working in benign environments (displacing benign rigs):
  - High water depth capability
  - High payload capacity
  - Ability to move on and off location in challenging conditions
  - Extended cantilever reach
  - Capacity to incorporate advanced offline activities

*Source: Rowan analysis and data supplied by IHS-Petrodata, Inc., Copyright 2018; as of 23-Mar-2018; Vintage indicates rigs greater than 20 years old; Seadrill includes NADL and 50% ownership interest in SeaMex; Borr includes pro forma acquisition of Paragon and Transocean jack-ups.*
Of the 169 rigs in the global UDW fleet, few possess the high specifications required for today’s demanding market.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Total</th>
<th>% of Global Fleet</th>
<th>% of Rowan Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fleet</td>
<td>169</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,250 ton Hookload</td>
<td>49</td>
<td>29%</td>
<td>100%</td>
</tr>
<tr>
<td>Dual BOPs</td>
<td>43</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>7-Ram BOP(s)</td>
<td>32</td>
<td>19%</td>
<td>100%</td>
</tr>
<tr>
<td>MPD-Ready</td>
<td>54</td>
<td>32%</td>
<td>100%</td>
</tr>
<tr>
<td>Equipped for 12,000 ft Water Depth</td>
<td>17</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Active Heave Drawworks &amp; Crown Compens.</td>
<td>25</td>
<td>15%</td>
<td>75%</td>
</tr>
<tr>
<td>Active Heave Compensating Subsea Crane</td>
<td>39</td>
<td>23%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**7th Generation rigs are clearly differentiated from earlier generation rigs.**

Rowan’s drillships are best-in-class among 7th Generation rigs; uniquely positioned to offer the key features desired by the market.

---

1. Includes data supplied by IHS-Petrodata, Inc; Copyright 2018; Rowan estimate, Delivered UDW rigs; as of August 22, 2017.
2. Rigs equipped with cylinder rigs are considered compliant with this feature.
Unlike most of its competitors, Rowan’s ultra-deepwater fleet is only 7th generation rigs

Breakdown of 33 floaters with 1,250-ton, dual BOP

20%  12%  100%  23%  31%  17%  15%

5  5  4  4  4  4  7

SDRL1  RIG  RDC  ESV  NE  DO  Other2

Note: Excludes rigs under construction
1 Includes NADL, Seadrill Partners, and Sevan Drilling
2 Includes Fred Olsen, Maersk Drilling, Ocean Rig, Pacific Drilling, QGOG
We are systematically driving performance across Rowan

Major Areas of Focus in Driving Performance

Drive WASTE out of our operations
  • *Adopt LEAN philosophy*
  • *Performance focused*

Control spend and focus on capital allocation
  • *Increase procurement effectiveness*
  • *Emerging data analytics program*
  • *Improved maintenance system*

Optimize personnel spend
  • *Preserve talent*
  • *Improve efficiency of business support functions*
Our robust balance sheet and highly visible runway bolster our financial health through the cycle

- **Strong balance sheet** allows counter-cyclical investment to improve return on capital
- At December 31, 2017, ~$780 million of debt retired since 4Q 2015, while issuing $500 million of unsecured debt not due until 2025
- **Attractive debt maturity** profile with significant undrawn borrowing capacity available from $1.5B revolver*
- **Current cash balance combined with our undrawn revolver exceeds our total outstanding debt**

*As of March 24, 2017; availability under the facility is $1.5 billion through January 23, 2019, declining to $1.44 billion through January 23, 2020, and to approximately $1.29 billion through the maturity in 2021. All debt is unsecured.
Rowan has an unrelenting focus on improving long-term return on invested capital

Rowan always considers capital allocation options, but remains committed to maintaining an attractive credit profile and financial flexibility.

During the current challenging business environment, we favor:

**Preserving Liquidity**
- Currently have a cash balance of approximately $1.3 billion

**Debt Reduction**
- At December 31, 2018, ~$780 million of debt retired since 4Q 2015, while issuing $500 million of unsecured debt not due until 2025

**Opportunistic Investments**
- We continue to evaluate opportunistic investments in assets
- Corporate transactions should ideally be strategic, accretive, credit enhancing and should not dilute the quality of our fleet
- Investments at attractive prices in the bottom of the cycle should generate superior returns
Well Positioned for Market Recovery
Jack-ups: Throughout the market cycles, newer higher specification drilling units provide higher levels of utilization

Worldwide Jack-up Total Utilization by Rig Class

89% of Rowan’s active jack-up fleet is High Spec

* Jack-ups with two million pounds or greater hookload

Includes data supplied by IHS-Petrodata, Inc; Copyright 2018 as of March 2018
Floaters: Throughout the market cycles, higher specification drilling units provide higher levels of utilization

Worldwide Floater Total Utilization* by Water Depth / Hookload

Includes data supplied by IHS-Petrodata, Inc; Copyright 2018, as of March 2018
*Excludes harsh environment
Although financial results will lag behind the change in business fundamentals, we are starting to see some improvement in the market

2018

- Gradual improvement in relative stability of oil prices in late 2017 set good tone for 2018 capital planning by customers
- We expect jack-up demand will continue to steadily rise in 2018
- Floater demand expected to lag behind jack-ups and bottom in late 2018. Majority of current opportunities for Rowan drillships have a commencement window beginning in late 2018

2019+

- Improvements in dayrates not anticipated until 2019 and beyond. Historically, marketed utilization must return to ~85% for pricing to improve materially
- Attrition is needed to improve the supply / demand balance
Visible Growth Through ARO Drilling
- Groundbreaking partnership
- Earnings growth over next 15+ years

Quality Assets and Focus on Demanding Drilling
- Best drillship fleet
- High-spec jack-up leader

Sustainable Capital Structure
- Strong balance sheet
- Opportunity for counter-cyclical investments

Well Positioned for Market Recovery
- High specification assets rebound first
Worldwide marketed* jack-up utilization is 71%

Marketed Supply: 458 units

* Excludes Cold Stacked / Out of Service units

Includes data supplied by IHS-Petrodata, Inc; Copyright 2018 as of March 2018
Worldwide marketed* UDW** utilization is 74%

Marketed Supply: 127 units

*Excludes Cold Stacked / Out of Service units

**UDW includes semis and drillships with a rated water depth of 7500’+

Includes data supplied by IHS-Petrodata, Inc; Copyright 2018 as of March 2018
Few rigs possess the specifications required for today’s demanding market requirements

### Key Feature Description

Today’s deeper, more highly pressured wells require longer and heavier casing strings. Combined, these driving forces yield casing strings that exceed the capacity of 6th generation rigs (i.e., greater than 1,000 tons). Further, running BOPs in elevated sea states can also produce hook load requirements exceeding 1,000 tons.

Between well maintenance becomes an offline activity with dual BOPs, saving several days of non-productive time. Further, if there is an unplanned BOP pull, the secondary BOP can be run while repairs are performed on the other in an unrushed manner. This limits downtime to several days, instead of several weeks or, in severe cases, months.

Having a seventh ram allows the installation of an “inverted” ram at the bottom of the BOP to pressure up against when testing the other rams. This eliminates the need to run a separate pressure testing apparatus down to the BOP. For exploration wells, this dramatically reduced the non-productive time spent testing the BOP while it is subsea. Alternatively, the seventh ram can also be configured for optimized changeover from drilling to completion operations.

Many wells require very precise pressure control that can only be achieved by the closed loop system that Managed Pressure Drilling provides. Further, this closed loop system also provided dramatically increased safety by providing advanced “kick” detection, identifying well control issues long before they become a threat to the rig, its crew or the environment. Rowan rigs were designed for MPD from the beginning, with utilities and handling equipment neatly incorporated, translating into expedient installation and higher reliability than the retrofit solutions in many competitive rigs.

Several of today’s frontier drilling locations are in water depths exceeding 12,000 feet. To access these depths in a safe and efficient manner, significant outfitting upgrades are necessary. Many of these upgrades are difficult or prohibitively expensive to incorporate after a rig has been constructed. Rowan’s rigs are fully equipped for these extreme depths.

Active heave drawworks allows very precise high capacity control over suspended loads while the vessel heaves up and down in response to sea conditions. This is especially critical while setting casing in the well or setting the BOP on the well head. Having a secondary crown-mounted compensation system allows enhanced safety during operations where the rig is “locked” to bottom such as completions, drill stem tests, and coiled tubing operations.

High capacity subsea cranes that have active heave compensation allow the offline installation of subsea architecture (e.g., subsea trees) in a very precise manner, preventing damage to critical subsea components. Using a crane to do this frees up the drilling centers to continue progressing the construction of the well and can eliminate the cost of hiring a subsea construction vessel.
## Rowan Cost & CAPEX Estimates as of February 28, 2018

<table>
<thead>
<tr>
<th>Key Metrics:</th>
<th>FY 2017 Actual</th>
<th>4Q 2017 Actual</th>
<th>1Q 2018 Projected</th>
<th>FY 2018 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jack-up Operational Downtime</td>
<td>1.3%</td>
<td>0.2%</td>
<td>~2%</td>
<td>~2%</td>
</tr>
<tr>
<td>(unbillable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drillship Operational Downtime</td>
<td>0.0%</td>
<td>0.0%</td>
<td>~5%</td>
<td>~5%</td>
</tr>
<tr>
<td>Transition Services Revenue</td>
<td>$7.4MM</td>
<td>$7.4MM</td>
<td>~$9MM</td>
<td>&gt;$30MM</td>
</tr>
<tr>
<td>Contract Drilling Expenses (excluding rebills)</td>
<td>$638MM</td>
<td>$166MM</td>
<td>$150-$160MM</td>
<td>$600-$625MM (^{(1)})(^{(2)})</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>$105MM</td>
<td>$34MM</td>
<td>~$30MM</td>
<td>$100MM (^{(2)})</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$404MM</td>
<td>$96M</td>
<td>~$96MM</td>
<td>$375 - $385MM</td>
</tr>
<tr>
<td>Interest Expense, Net of Capitalized Interest</td>
<td>$156MM</td>
<td>$39MM</td>
<td>Not Guided</td>
<td>~$155MM</td>
</tr>
<tr>
<td>Interest Income from ARO Drilling</td>
<td>$2.3MM</td>
<td>$2.3MM</td>
<td>Not Guided</td>
<td>~$10MM</td>
</tr>
<tr>
<td>Effective Tax Rate (normalized)</td>
<td>Income Tax Expense $27MM</td>
<td>Income Tax Benefit $3MM</td>
<td>Not Guided</td>
<td>Income Tax Expense $15 - $20MM</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$101MM</td>
<td>$22MM</td>
<td>Not Guided</td>
<td>$100 - $110MM (^{(3)})</td>
</tr>
</tbody>
</table>

---

\(^{(1)}\) Includes management fees that will be paid to ARO Drilling
\(^{(2)}\) Includes costs associated with transition services
\(^{(3)}\) Excluding the final payment of $69MM for the P-59/P-60 made in January 2018
Appendix – ARO Drilling
The purpose of this Appendix is to summarize previously disclosed information on ARO Drilling

- **November 21, 2016**
  - Press Release announcing 50/50 joint venture with Saudi Aramco
  - 8-K
  - Q&A Document
  - Investor Presentation

- **February 24, 2017**
  - Shareholders Agreement filed with the Rowan 10-K

- **October 19, 2017**
  - Press Release announcing the launch of ARO Drilling
  - 8-K
Overview of ARO Drilling, a 50/50 offshore drilling joint venture between Rowan Companies and Saudi Aramco

- ARO Drilling (ARO) is a 50/50 joint venture between Rowan and Saudi Aramco that owns and operates jack-up drilling rigs in the Kingdom of Saudi Arabia (KSA)
- Over the next decade, ARO expected to construct 20 newbuild rigs, supported by attractive, long term contracts from Saudi Aramco
- ARO operates independently with a separate dedicated management team, ensuring an arm’s length relationship – both the CEO and the head of operations are from Rowan; the CFO is from Saudi Aramco
- ARO Board of Directors is comprised of three members from Rowan and three members from Saudi Aramco; the Chairman is from Saudi Aramco
- Rowan’s KSA operations were transferred to ARO. Costs for Rowan’s existing KSA shorebase support were assumed by ARO
- ARO is treated as an equity investment for accounting purposes, with financial results recognized primarily on the equity income line
Intent is for ARO to be self funded with additional distributions as excess cash builds

**Expected Cash Management**

- **2017 to 2025**: Cash management timeline.
- **NEAR-TERM**: Cash back to Saudi Aramco / Rowan.
- **MID-TERM**: Cash stays in ARO to support the newbuild program.
- **LONG-TERM**: Cash distributions back to Saudi Aramco / Rowan.

- Saudi Aramco and Rowan do not anticipate contributing additional capital into ARO for the newbuild program, however the program is supported by a $1.25 billion capital commitment from each shareholder, which ratchets down over time as rigs are delivered.
- We expect the newbuilds to be fully financed by ARO, through ARO-generated cash flow and external financing, supported by long term contracts at ARO.
- ARO intends to keep cash on hand that is necessary for each calendar year of operations. Additional cash will be distributed equally to Saudi Aramco and Rowan.
Overview of Value Drivers for Rowan and ARO Drilling

- Contributed Rigs
- Managed Rigs
- Leased Rigs
- Transition Services
- Newbuild Rigs
Contributed Rigs: Overview of 2017 Contributions and Cash Flow

$25 MM cash
Gilbert Rowe
Bob Keller
J.P. Bussell
Spare inventory/assets
Shorebase Support

ARO DRILLING
أرامكو روان للحفر

5 Jack-ups
Shorebase Support
Cash

$25 MM cash
SAR 201
SAR 202
Spare inventory/assets
Matching cash

50% of excess cash ($88MM received 4Q2017)

50% of excess cash

- In 2Q 2017, Rowan and Saudi Aramco contributed $25MM cash each to form ARO
- In 4Q 2017, Rowan transferred three jack-ups, and Saudi Aramco transferred two jack-ups and additional cash
- ARO commenced operations on October 17, 2017
- Rowan and Saudi Aramco then received $88MM each as a cash distribution
- ARO will make interest payments to each partner on Shareholder Loans, each with a balance equal to the partner’s total contribution$25MM capital contribution

(1) Excludes initial $25MM capital contribution
Contributed Rigs: Overview of 2018 Contributions and Cash Management

- Scooter Yeargain
- Hank Boswell

ARO DRILLING

7 Jack-ups Shorebase Cash

Matching Cash

50% of excess cash (expected to be received 4Q 2018)

- In 4Q 2018, Rowan expects to transfer two jack-ups and Saudi Aramco expects to transfer a matching contribution in cash
- ARO will distribute the matching cash equally to Rowan and Saudi Aramco
- ARO will make interest payments to each partner on Shareholder Loans, each with a balance equal to the partner’s total contribution (1) net of cash distributions
- The total value transferred to ARO by both shareholders for 2017 and 2018 is approximately $1.34B

(1) Excludes initial $25MM capital contribution
Contributed Rigs: Income and Cash Flow Impact

- Contributed rig results will be recorded directly on ARO’s income statement with the only impact to Rowan coming through the equity income line.
- Transfer of Rowan’s KSA shorebase resulted in a reduction to Rowan’s operating costs as they are now borne by ARO.
- ARO is responsible for capital expenditures.
- ARO will pay interest expense on the Shareholder Loan balance. Rowan to receive an interest payment on its Shareholder Loan and record it as interest income.

Note A: Contributed rigs will impact ARO net earnings, 50% of which flow through Equity Income in Unconsolidated Subsidiaries on Rowan’s income statement.
Managed Rigs: Overview and Financial Impact

- Excluding rigs to be contributed to ARO, Rowan’s remaining jack-up rigs under contract with Saudi Aramco will be managed by ARO through the remainder of their existing contracts. These rigs are:
  - Scooter Yeargain (until contributed in October 2018)
  - Hank Boswell (until contributed in October 2018)
  - Bob Palmer (contract end 12/31/17)
  - Rowan Middletown (contract end 8/31/18)
  - Charles Rowan (contract end 8/31/18)
  - Arch Rowan (contract end 8/31/18)
  - Mississippi (contract end 12/18/18)

- Rowan pays ARO a customary management fee\(^{(1)}\), which will be recognized as operating cost on Rowan’s income statement, and will be included in Rowan cost guidance.

- Management fee is recorded as revenue on ARO’s income statement.

- Once a managed rig rolls off contract, if not contributed, Rowan has the choice to market the rig globally. If the rig subsequently receives a contract from Saudi Aramco, it will be leased to ARO\(^{(2)}\).

\[(1)\] Management fee is an undisclosed % of revenue to cover a portion of shorebase costs
\[(2)\] If mutually agreed by Rowan and ARO

Note A: Managed rigs will impact ARO net earnings, 50% of which flow through Equity Income in Unconsolidated Subsidiaries on Rowan’s income statement.
Leased Rigs: Overview and Financial Impact

- Once a managed rig rolls off contract, if not contributed, Rowan has the choice to market the rig globally. If the rig subsequently receives a contract from Saudi Aramco, it will be leased to ARO\(^{(1)}\).
- Dayrates for the leased rigs will be “consistent with the Pricing Mechanism, unless otherwise agreed”
- Rowan will receive a percentage of rig EBITDA (after an overhead allocation), which will be recognized as bareboat charter revenue on Rowan’s income statement.
- Five-year special surveys are paid by Rowan.
- Rig revenue and OPEX to be recorded on ARO’s income statement.
- Maintenance CAPEX paid by ARO.

\[
\text{Revenue (bareboat rate)} - \text{Special Surveys (See Note A)} - \text{Special Surveys} - \text{Maintenance CAPEX} - \text{Overhead Allocation}^{(2)} \quad \text{EBITDA}
\]

(1) If mutually agreed by Rowan and ARO
(2) Allocation of overhead costs for a leased rig is based on the rig’s proportion of overall revenue of rigs operated by ARO.

Note A: Leased rigs will impact ARO net earnings, 50% of which flow through Equity Income in Unconsolidated Subsidiaries on Rowan’s income statement.
Transition Services: Overview and Financial Impact

- ARO start-up will initially rely heavily on Rowan’s back office support, which includes Engineering, IT, Legal, Finance, etc.

- To cover Rowan’s cost of providing these services, ARO will pay Rowan a transition services fee which is estimated to initially be $8MM per quarter.

- ARO is expected to build out their support infrastructure over time and assume back office support services previously provided by Rowan. As a result, the transition services fee is expected to scale down over the next few years.

- Transition Services Fee will be recognized as revenue on Rowan’s income statement and be an expense for ARO.

Note A: Transitional Services Fee will impact ARO net earnings, 50% of which flow through Equity Income in Unconsolidated Subsidiaries on Rowan’s income statement.
**Newbuild Program: Overview and Financial Impact**

- ARO expected to build up to 20 jack-ups over the next decade with the earliest delivery of the first rig in 2021.
- The newbuild jack-ups will be built at the new Maritime Yard - The King Salman International Complex for Maritime Industries and Services, a cornerstone project in the Saudi 2030 Vision. The Maritime Yard is a joint venture between Saudi Aramco, Bahri, Hyundai Heavy Industries and Lamprell.
- Newbuild design process is in progress, which aims to develop the most safe, efficient and reliable jack-up, fit-for-purpose for Saudi Aramco operations.
- The initial eight-year contract has a dayrate set by an EBITDA payback model:
  \[
  \text{Dayrate} = \frac{\text{Cost of newbuild}}{\text{undisclosed days}} + \text{daily OPEX} + \text{overhead allocation} + \text{modest cost escalation}
  \]
- The following eight years of guaranteed contracts have dayrates set by the Pricing Mechanism, which is a global index of similar rigs (excluding Norway and any other niche harsh environment markets) with a modest discount to market, and a floor that provides a minimum level of profitability.
- Thereafter, as long as the rigs can meet the technical specifications and the operational requirements of Saudi Aramco, preference for new Saudi Aramco drilling contracts will be given to these rigs.

Note A: Newbuild rigs will impact ARO net earnings, 50% of which flow through Equity Income in Unconsolidated Subsidiaries on Rowan’s income statement.
## In Summary: Rowan and ARO Financials

### Revenue
- Managed Rigs
- Leased Rigs Bareboat Fee
- Transition Services Fee
- Contributed Rigs
- Management Fee
- Leased Rigs
- Newbuilds

### OPEX
- Managed Rigs
- Management Fee
- Contributed Rigs
- Leased Rigs
- KSA Shorebase\(^{(1)}\)
- Transition Services Fee
- Newbuilds
- Interest Expense on Shareholder Loan

### CAPEX
- Managed Rigs
- Leased Rigs Special Survey
- Contributed Rigs
- Leased Rigs Maintenance Capex
- Newbuilds

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\(^{(1)}\) KSA Shorebase costs previously borne by Rowan will now be paid by ARO