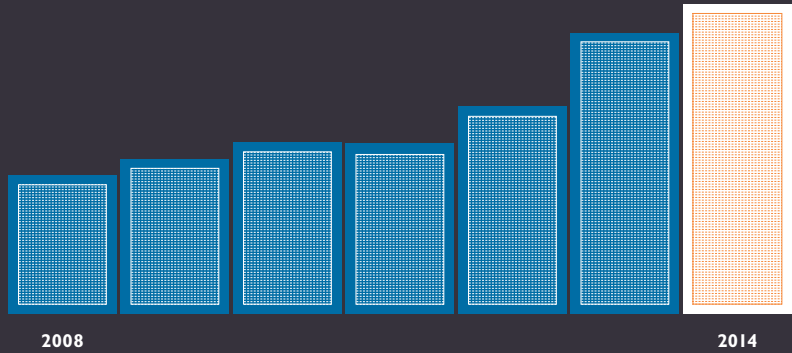




“We achieved record revenues and the second-highest earnings in our 46-year history.”

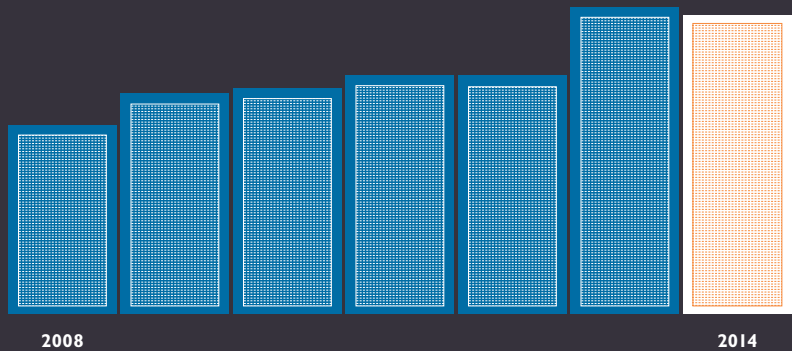
\$ 1,174

REVENUES
DOLLARS IN
MILLIONS



\$ 341

NET INCOME
DOLLARS IN
MILLIONS



Fellow Shareholders,

**A YEAR OF
CONTRASTS**

The past year has been a year of contrasts for Atwood Oceanics. Notably, we achieved record revenues and the second-highest earnings in our 46-year history. We realized our best-ever safety results, as measured by incident frequency, even as we continued to expand our workforce and our rig fleet. We delivered and commissioned our first two ultradeepwater drillships and demonstrated our ability to operate them reliably and safely. In addition, our Board of Directors declared our first quarterly dividend, a vehicle to return cash to our shareholders beginning in calendar 2015.

However, this past year was also marked by a sharp decline in market conditions for the offshore drilling industry. Demand for offshore drilling services did not materialize as expected, and oil prices declined to levels not seen in recent years. The delivery of new build rigs from shipyards, including some without contracts, created excess rig supplies in many regional markets. As a result, utilization and day rates decreased across all rig classes and one of our active rigs experienced extended idle time.

Despite these challenges, the Atwood Team delivered solid results and achieved significant milestones in 2014. “Strong performance” has become the hallmark of our company—delivered by our employees for the benefit of our clients and our investors.

**STRONG
PERFORMANCE
BEGINS
WITH SOLID
OPERATIONS**

Operational excellence has long been a key differentiator of our drilling services, and 2014 was no exception. Our five high-specification jackups operated at approximately 98% revenue efficiency for the year. Our five semisubmersibles delivered solid results which engendered favorable client feedback and the signing of longer-term contracts on two of these rigs. In addition, we successfully completed two extensive maintenance and upgrade projects—one in West Africa and the other in the Mediterranean—that facilitated follow-on drilling programs with new clients.

The delivery and start-up of our first two ultradeepwater drillships, the *Atwood Advantage* and the *Atwood Achiever*, marked a major milestone in our fleet growth strategy. The *Advantage* and *Achiever* are currently operating in the Gulf of Mexico and Northwest Africa, respectively, under multi-year agreements with long-time Atwood clients. Each of these drilling vessels offers best-in-class drilling and water depth capabilities along with a dual BOP system for additional safety and reliability. Most importantly, our offshore rig teams have performed well in starting up these impressive machines and running them without major incident during their first months of operations.

Our most critical company value embodied in *Our Guiding Principles* remains “Safety and Environmental Stewardship.” In fiscal 2014, we delivered our best (i.e. lowest) recordable incident rate in our history, reduced our impact on the environment, while our people worked a record number of man-hours. In addition, our senior management completed Process Safety discussions with all offshore personnel involved in drilling positions to emphasize the importance of proper well control. Finally, Atwood was named as the #1 offshore driller for Health, Safety and Environmental performance in an independent customer survey for the second consecutive year.

**STRONG
FINANCIAL
PERFORMANCE**

Following on our strong operational performance, we posted our highest revenue ever at \$1.17 billion. Our net income of \$341 million nearly matched last year’s record result. Strong revenue recognition from our rigs coupled with cost discipline—onshore and offshore—contributed to healthy margins and a solid bottom line.

We also improved our financial flexibility by increasing our revolving credit facility by \$450 million to \$1.55 billion, while reducing our borrowing costs. Our key credit metric of debt-to-capitalization peaked in late August at approximately 41% with the delivery of the *Atwood Achiever* and is projected to improve going forward. The capital expenditures for our two drillships under construction are fully funded by cash flow secured by our nearly \$3 billion revenue backlog and the available capacity on our credit facility. In short, our balance sheet is in good shape.

Our Board of Directors declared our first-ever quarterly dividend in September, with the initial payment to be made in January 2015. We initiated the dividend with a lower yield than many of our

peer companies in order to ensure its sustainability and to preserve our ability to fund future fleet growth. We believe that our dividend represents an important source of value to our shareholders and that it will attract new investors to Atwood stock.

**OUR PEOPLE
DELIVER THE
PERFORMANCE**

Our company's success would not be possible without the efforts of the nearly 1,900 competent and motivated personnel who comprise the worldwide Atwood Team. We have increased our workforce substantially over the past five years, and our new employees have brought us skills and experiences vital to the execution of our growth strategy. Our reputation for operational excellence and financial stability continues to attract people considering a career, or a career change, in the offshore drilling industry.

In 2014, we significantly increased our commitment to the training and development of our people. In August, our Competence Assurance Program for offshore employees received full accreditation from the International Association of Drilling Contractors (IADC). In addition, we augmented our offshore leadership training to emphasize the importance of job planning, setting expectations and proper supervision. To supplement these internal efforts, we also retained industry experts to work with our rig-based employees to improve their knowledge of our equipment, our procedures and industry best practices.

**PREPARED FOR
A CHALLENGING
2015**

We expect that 2015 will be characterized by demanding business conditions for our industry. Meaningful improvement is not likely to occur until we experience a recovery in oil prices and our competitors retire a significant number of their older rigs. The industry downturn may also be elongated as our peers struggle with the permanent loss of employees, equipment and earnings potential. These concerns underpinned our decision in early November to delay the deliveries of the *Atwood Admiral* and *Atwood Archer* by six months each.

Fortunately, our backlog is strong and our rig fleet is generally well-contracted as we begin 2015. Only one of our active floaters, the *Atwood Hunter*, is expected to remain idle in the near term. Our other four semisubmersibles and two drillships are each contracted until at least the first quarter

of calendar 2016. Four of our five high-specification jackups are under contract through at least December of this year. The *Atwood Admiral*, now scheduled for delivery in late September, is our only ultradeepwater rig with availability in calendar 2015.

Despite this challenging outlook, I have no doubt that the Atwood Team will once again deliver strong performance. Our operations team will be focused on reducing the well costs for our clients by improving the efficiency of our drilling services. In addition, we will identify ways to eliminate unnecessary activities and reduce expenses across our organization. Of course, these goals will be pursued without ever compromising our safety and environmental responsibilities.

**OUR
47TH YEAR**

As our company begins its 47th year, I want to extend my sincere thanks to the men and women who comprise the worldwide Atwood Team for their continued dedication to our success. I also want to recognize our many loyal clients and investors—their continual support is a source of inspiration for our strong performance.

Rob Saltiel

**PRESIDENT AND CHIEF
EXECUTIVE OFFICER**

Rob Saltiel



