



## The World's Fastest Growing Drilling Contractor

Pareto Oil and Offshore Conference  
Oslo, 6 September 2006

**Seadrill**

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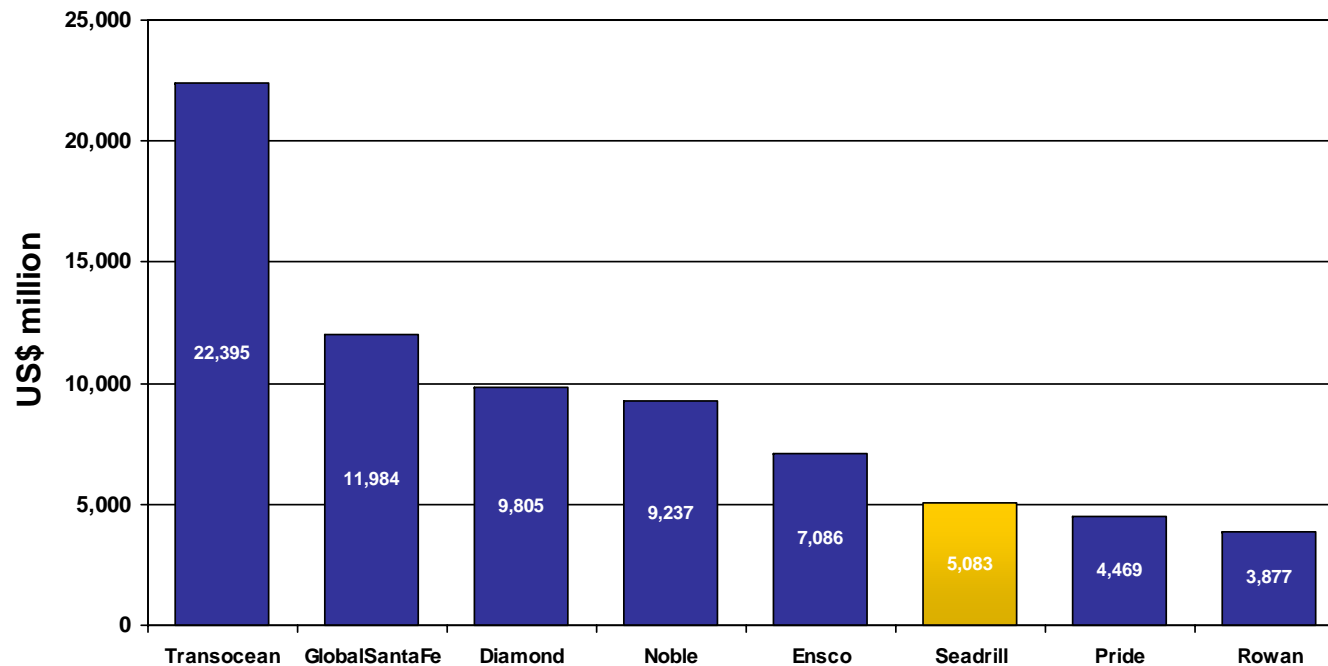
## Mission statement

Create a world leading drilling contractor within 5 years

~ May 2005



## Market cap offshore drilling peers



No 6 ..... with ambition to grow



# 16 months of high activity



Mosvold  
Drilling Ltd.

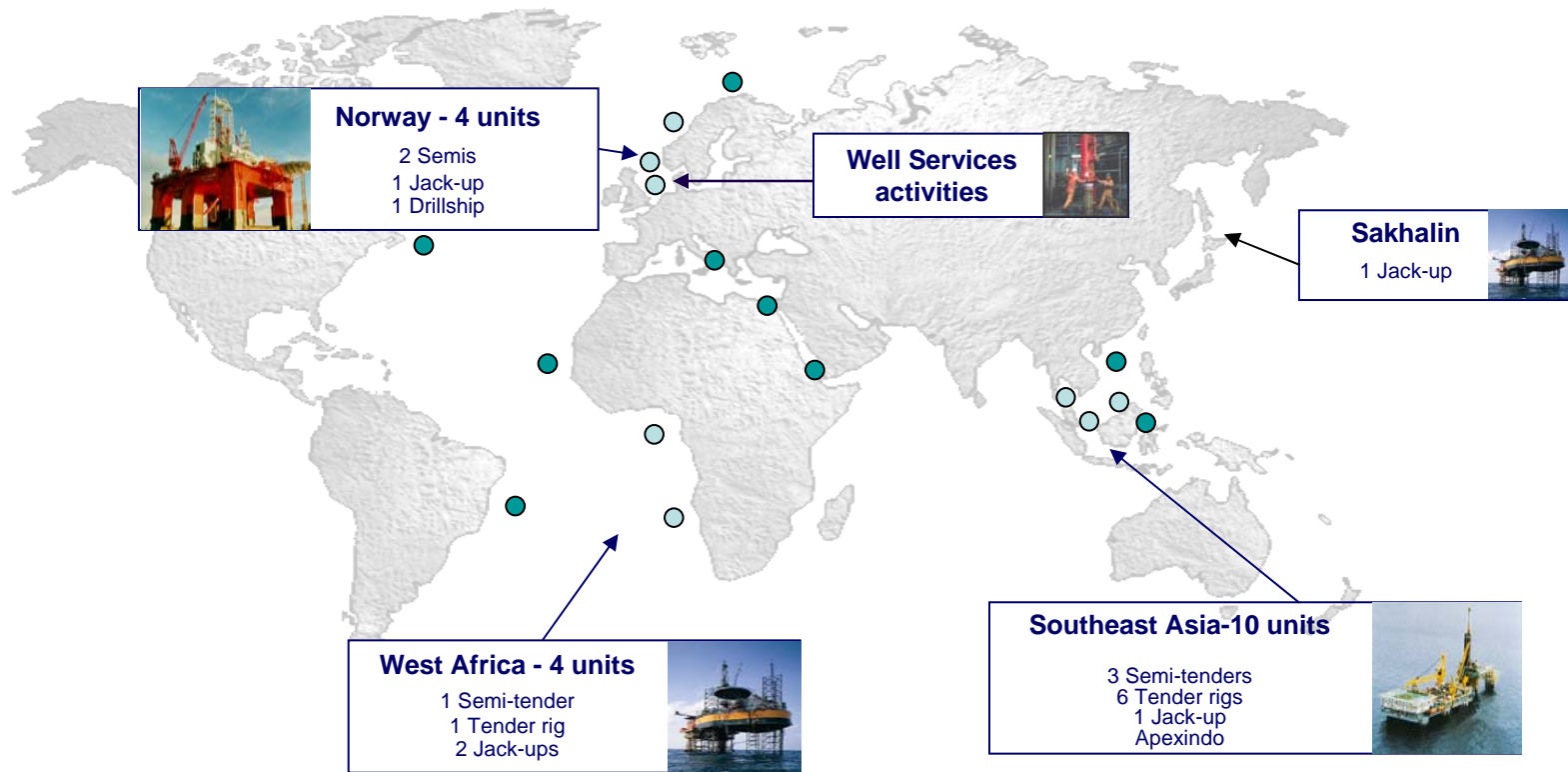
	<i>Time</i>	<i>Ownership</i>	<i>Semis</i>	<i>Drill-Ships</i>	<i>Jack-ups</i>	<i>FPSOs</i>	<i>Tender rigs/ Swamp Barges</i>	<i>Total Offshore</i>	<i>Land Rigs</i>
IPO	May 05	100%			5	2		7	
Jurong Hull 1085	May 05	100%	1					1	
Odfjell Invest Ltd	June to July 05	100%			2			2	
Purchase Ocean Rig	July 05	25%	2					2	
Apexindo	July 05	33%			2		4	6	10
Jurong Hull 1086	August 05	100%	1					1	
Daew oo Hull 3019	September 05	100%	1					1	
Daew oo Hull 3020	January 06	100%	1					1	
Sale Ocean Rig	January 06	25%	-2					-2	
Smedvig ASA	January 06	100%	2	1	1		13	17	
Eastern Drilling	January 06	40%	1					1	
Mosvold Drilling	Dec 05 to Feb 06	100%		2				2	
Keppel Ordering	March 06	100%	0		1			1	
Eastern Drilling	June 2006	40%	1					1	
Tender Rig T-11	June 2006	100%					1	1	
<b>Total</b>			<b>8</b>	<b>3</b>	<b>11</b>	<b>2</b>	<b>18</b>	<b>42</b>	<b>10</b>

**Deals totaling some US\$ 8 billion in transaction values**



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# Current drilling operations

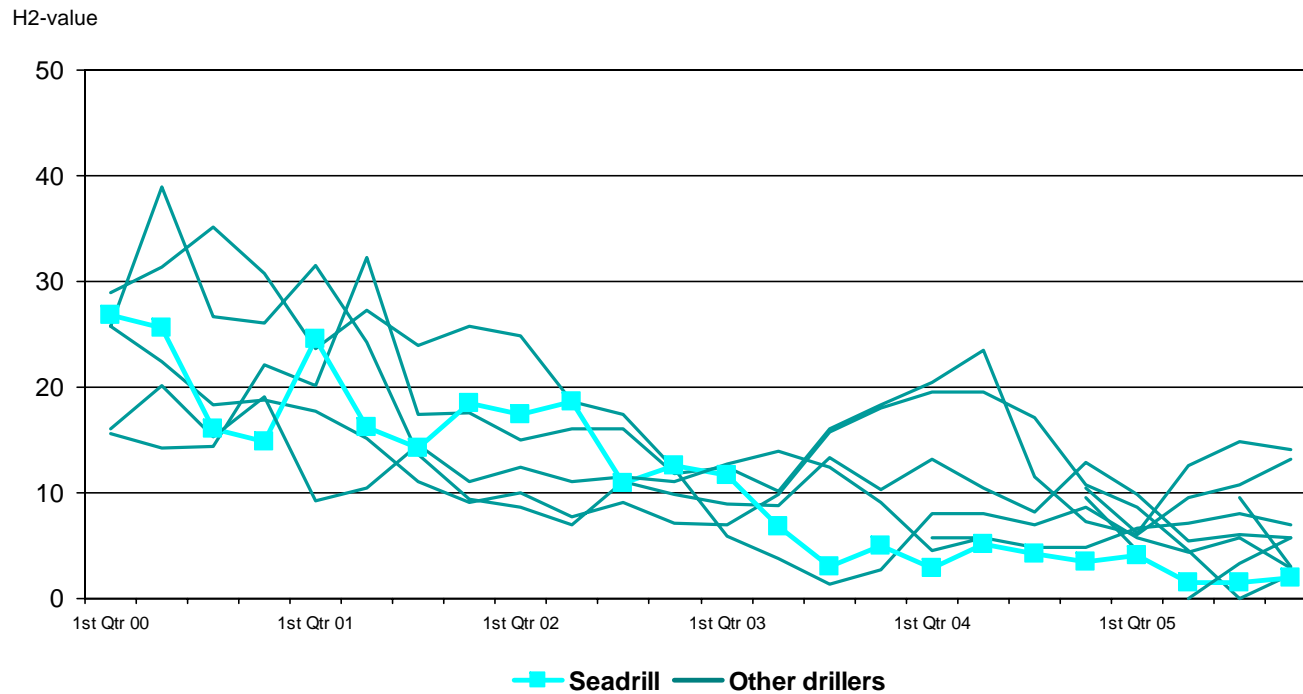


Presence in key offshore drilling markets

- Current operations
- Previous operations



# HSE statistics in Norway



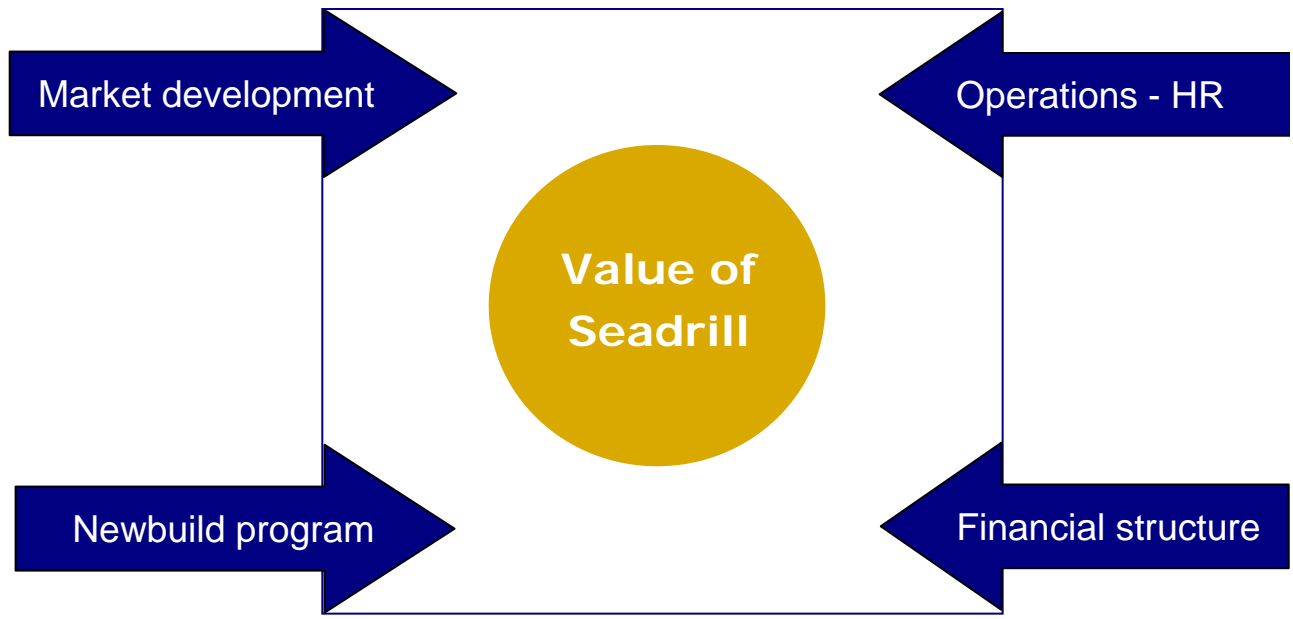
**Safest operator in the toughest environment**

H2-value = LTI + Medical Treatment cases per mill. man-hour last 12 months

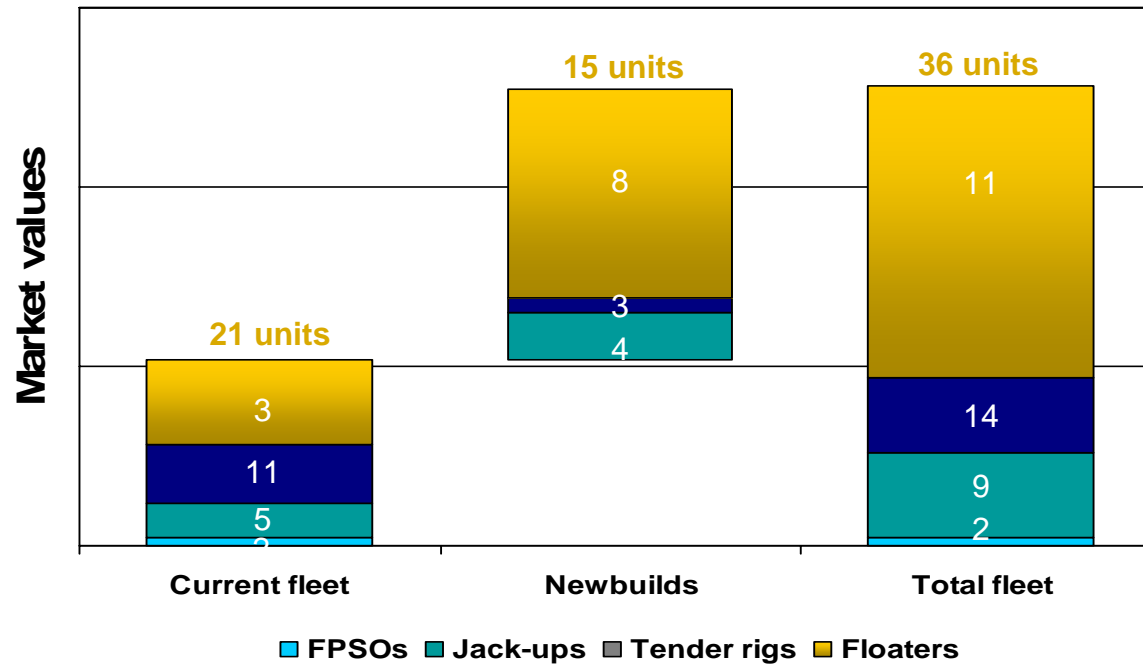




# Key value drivers



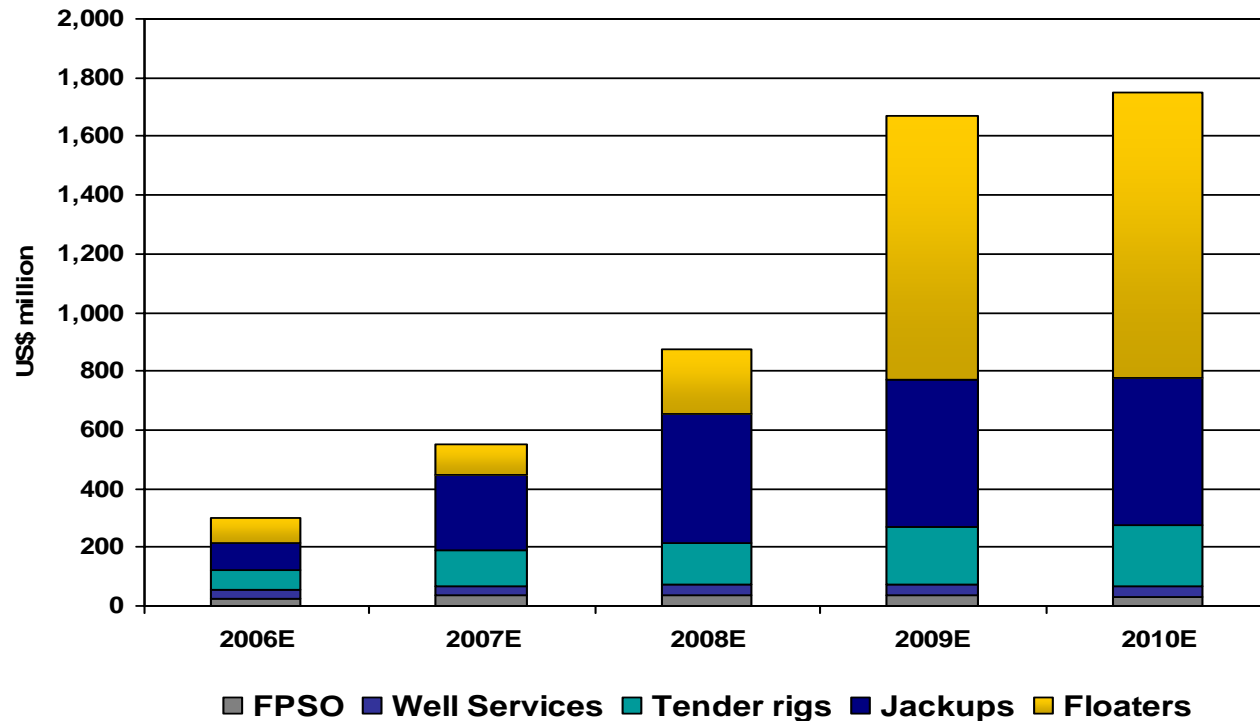
# Fleet development



**Strong increase in deepwater fleet**



## Possible EBITDA development (Pareto estimates)



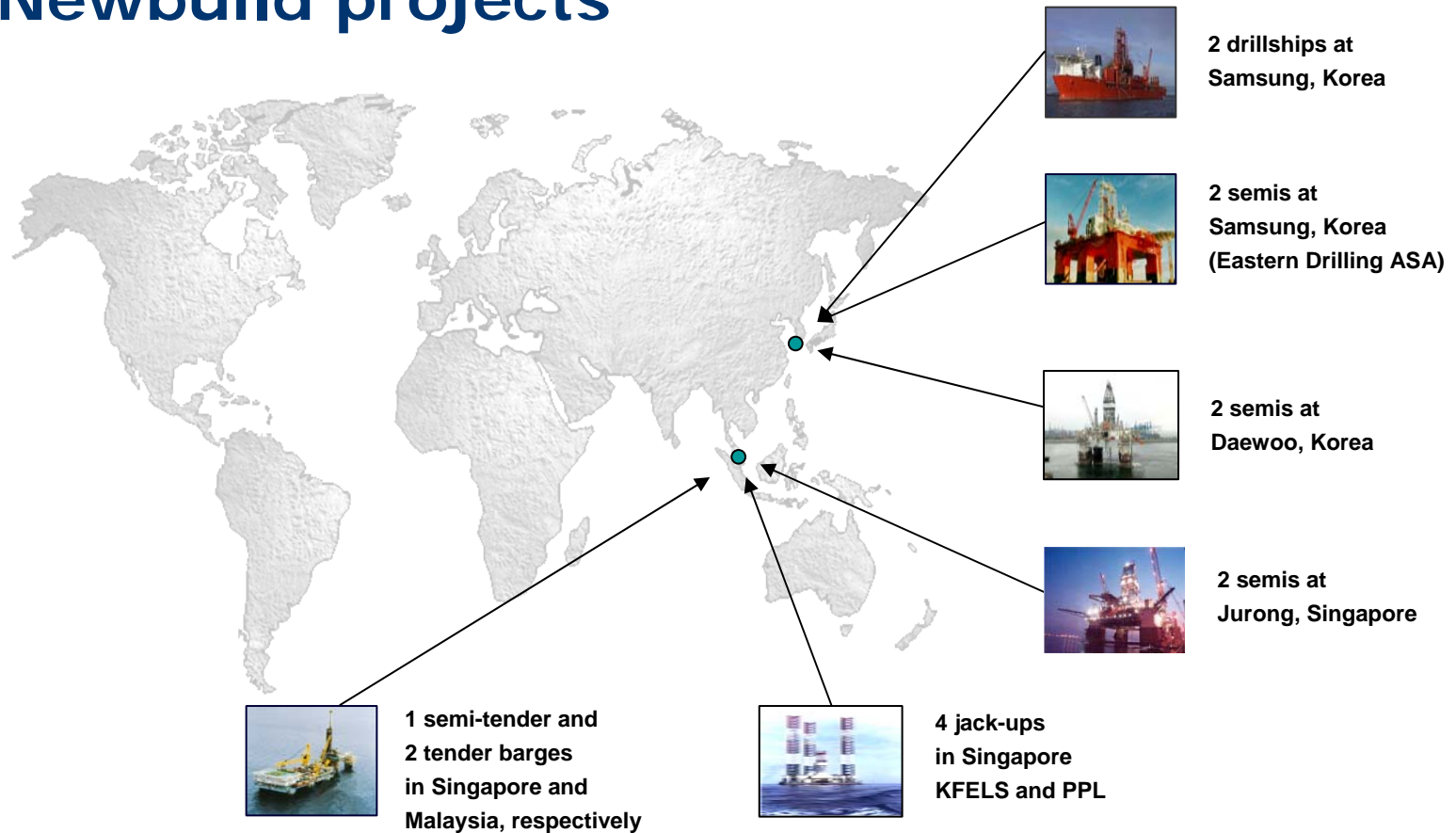
**Market maintained .... strong growth in earnings**

Source: Pareto



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## Newbuild projects



**Building the most modern fleet at quality yards**



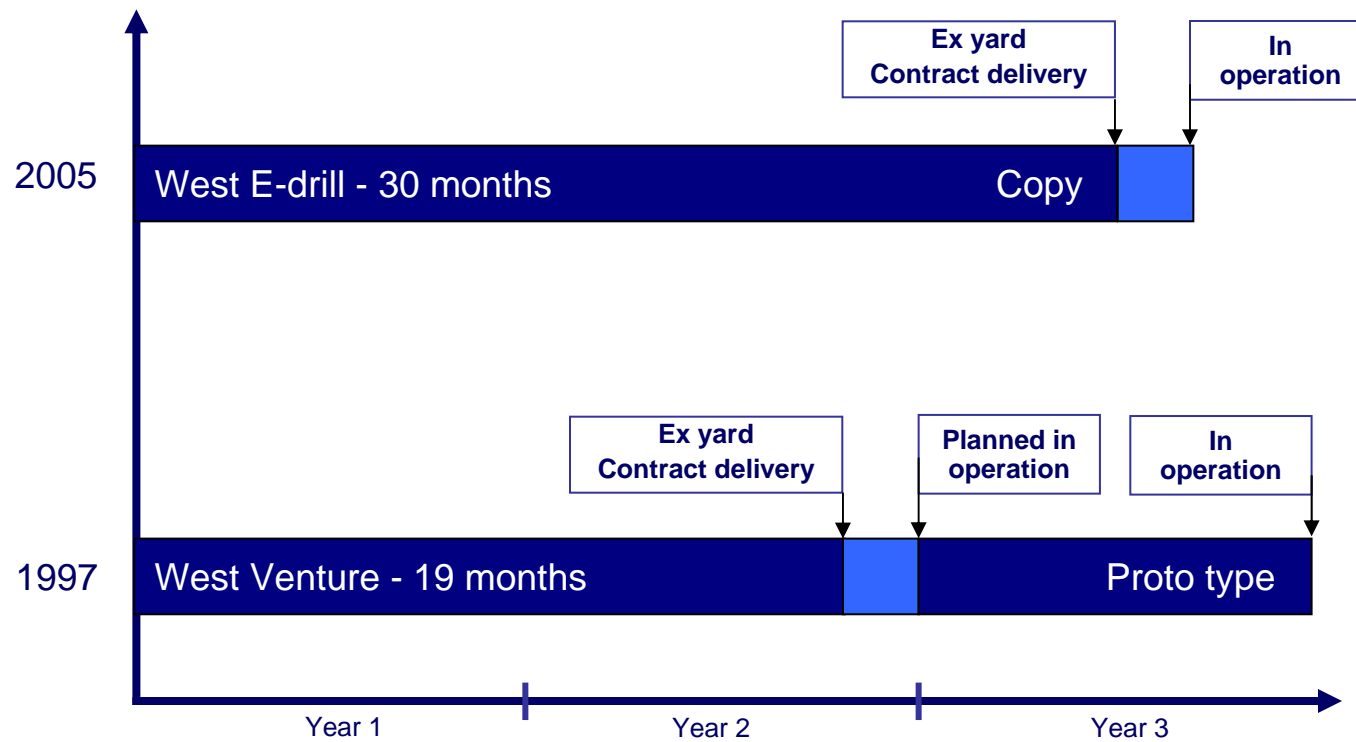
## Seadrill newbuild characteristics

- Copies of existing units
- Proven technology
- Delivery time reflecting previous experience
- Fixed price turnkey contracts
- Main yard installments to be paid at delivery
- First units to be delivered
- Quality yards

**Risk contained for on-schedule delivery**



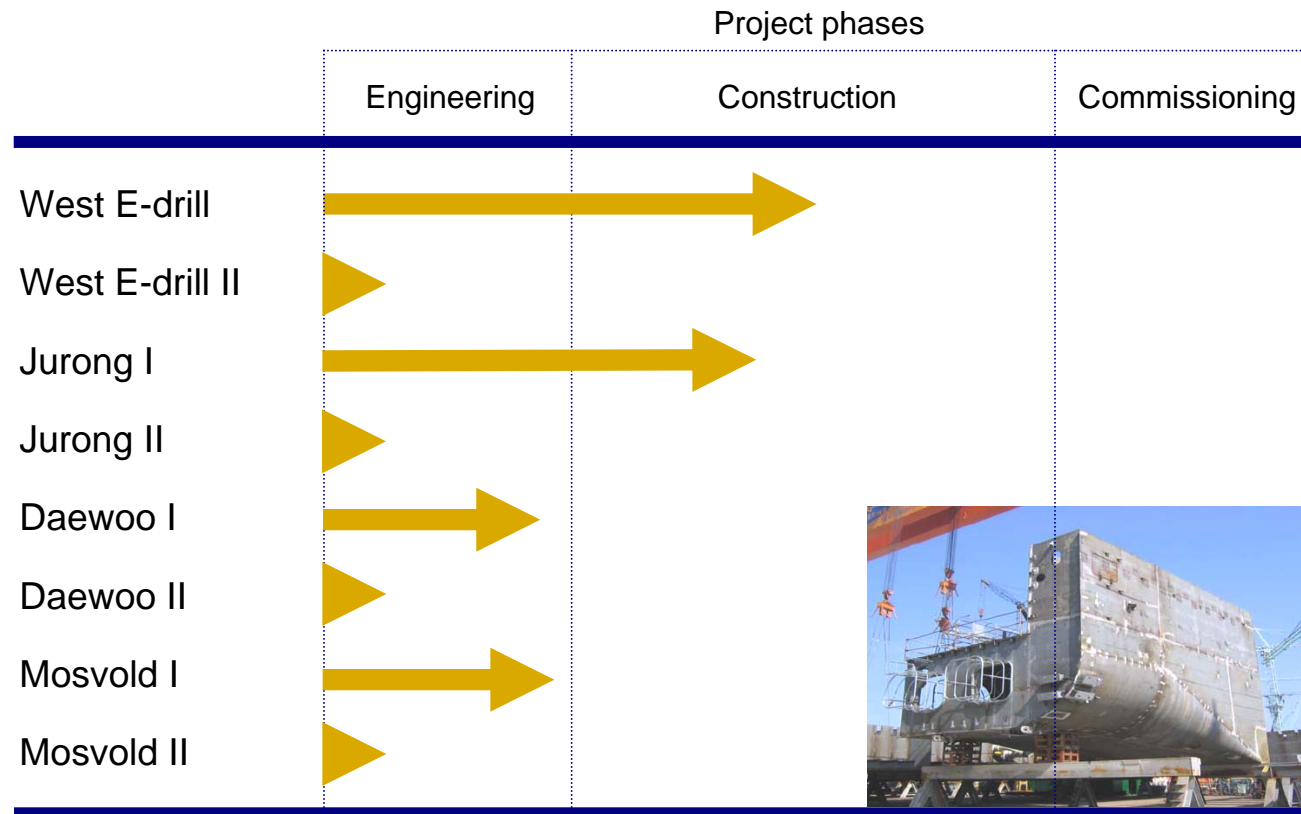
# What we learnt !



**Cost is important .... Time is essential**



# Newbuild deepwater program



Projects are progressing according to plan



## Newbuilds were ordered at the right time

Ordering time	Q1-2005	Q3-2006
USDm	<b>Jurong 1</b>	<b>Jurong 3 - option</b>
Initial contract price	390	404
+ riser/bop/drillpack adjustments		74.3
+ foreign exchange adjustments		15.2
+ other equipment increase		35
+ approved change orders		5
<b>Final contract price</b>	<b>390</b>	<b>533.5</b>
Payment terms	15%+15%+70%	5 x 20%
Delivery	Q108	Q210

**Prices, terms and conditions have changed significantly**





## Investments in Capital Spares and Risers

- The market for spare equipment is tight with increasing prices and long lead time
- Capital spares includes risers, top-drives, thrusters, mud pumps, drill pipe, BOP related equipment etc
- Increase flexibility and reduce down time risk

**Additional investments --> Additional return**



## Four jack-up newbuilds

- Three jack-ups at KFELS
  - Two units to be delivered in 3Q07
  - One unit to be delivered in 2Q08
- One jack-up at PPL
  - Delivery scheduled for 4Q07

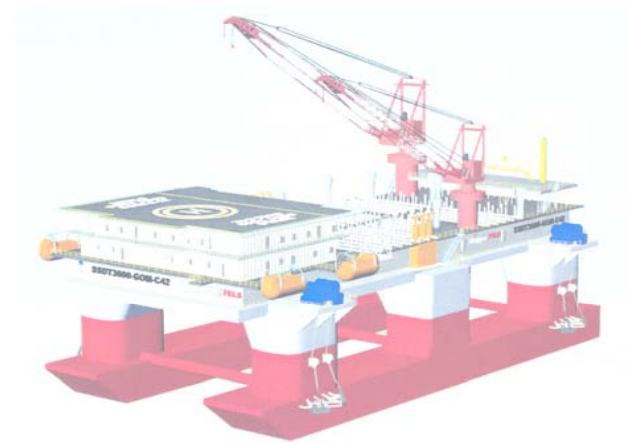


Progress according to plan and budget



## Three tender rig newbuilds

- One semi-tender at KFELS
  - Delivery scheduled for 4Q06
- Two tender barges at Malaysia Marine & Heavy Engineering
  - Delivery scheduled for 2Q07 and 2Q08
- Option to build another tender barge at Malaysian MHE



Progress according to plan and budget



## Offshore drilling market characteristics

- Increasing number of enquiries for newbuilds (both shallow and deep waters)
- Particular increase in interest for ultra deepwater units (3,000 meters)
- Contract lengths from 3 years and upwards
- Deferral of drilling programs
- Mainly newbuilds available from 2008
- Demand will outpace supply in 2008

**Seadrill well positioned for a buoyant market**



## Competitive deepwater overview 2008-2010

	No of units without contract
▪ Seadrill (including Eastern)	8
▪ Maersk	3
▪ Transocean	0
▪ Aker	2+2
▪ Odfjell	1+1
▪ Petromena	1
▪ OR	1
▪ Fristad	1+3
▪ Sevan	1+9
▪ Scorpion	1
▪ MPF	1
▪ Sum	21
▪ Units with contract for employment	17
▪ Total number of units	38

Potential consolidation ???



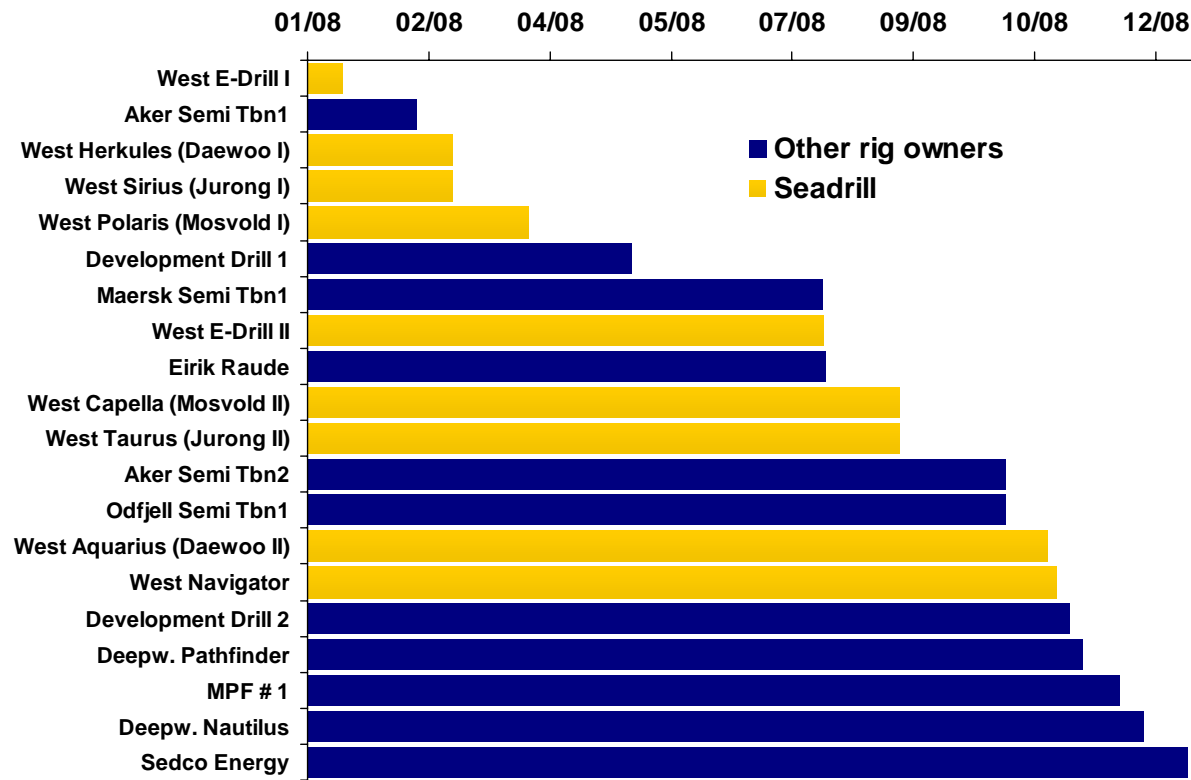
## Deepwater newbuilds

- 38 deepwater newbuilds ongoing
  - 17 units have contract for employment
  - 21 units are without contract of which Seadrill controls 8
  - Available newbuilds in 2008 controlled by Seadrill, Aker and Maersk
- Current number of deepwater requirements are close to 30

**Demand supply situation as sound as ever**



# Ultra deepwater rigs available before year-end 2008



**Seadrill ... main supplier of rigs on new contracts in 2008**

Newbuilds by scheduled delivery date



# Targeted dayrate level

Our Investment Rule:

$$\frac{\text{5 year charter income} - \text{5 year all operating expenses (incl. taxes)}}{\text{Total investments incl. pre-delivery funding}}$$

**> 1**

**Newbuilds repaid in five years**





## Human resources

- Currently a pool of 4,300 employees as a basis
- More than 25 different nationalities
- Significant organic growth capacity
- 2,000 people to be hired over the next 2-3 years
- State of the art rig fleet



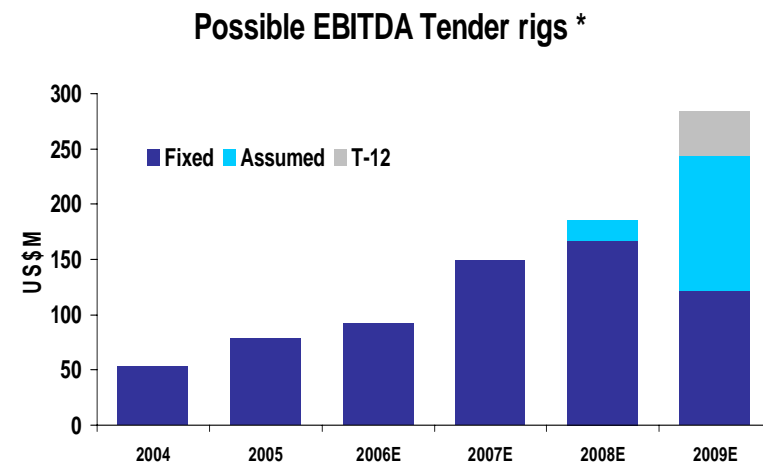
**An attractive employer long term**



## Financial opportunities

### Observations :

- Rig Companies sells at 3.2x times EV/EBITDA for 2008
- Energy related MLP's sells at EV/EBITDA factor of 9.5x with a distributionary yield of 6 - 7%
- Seadrill's Tender Rig activity shows high growth, strong earnings, long contracts and high visibility



Maximize valuation for shareholders

\* Pareto estimates



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## Summary

- Largest newbuild program in the industry
- Creating a significant player in ultra-deep waters
- Strong position in harsh environment
- Quality fleet of benign environment jack-ups
- Market leader in tender rigs
- Growing well services division
- High leverage to support high equity return
- Focus on valuation to enhance shareholder value

**Creating a world leading drilling contractor**



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