



Q2 2016 Results

August 25, 2016



Forward Looking Statements

This presentation includes forward looking statements. Such statements are generally not historical in nature, and specifically include statements about the Company's plans, strategies, business prospects, changes and trends in its business and the markets in which it operates. These statements are made based upon management's current plans, expectations, assumptions and beliefs concerning future events impacting the Company and therefore involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, which speak only as of the date of this news release. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to offshore drilling market conditions including supply and demand, day rates, customer drilling programs and effects of new rigs on the market, contract awards and rig mobilizations, contract backlog, dry-docking and other costs of maintenance of the drilling rigs in the Company's fleet, the cost and timing of shipyard and other capital projects, the performance of the drilling rigs in the Company's fleet, delay in payment or disputes with customers, our ability to successfully employ our drilling units, procure or have access to financing, ability to comply with loan covenants, liquidity and adequacy of cash flow from operations, fluctuations in the international price of oil, international financial market conditions changes in governmental regulations that affect the Company or the operations of the Company's fleet, increased competition in the offshore drilling industry, and general economic, political and business conditions globally. Consequently, no forward-looking statement can be guaranteed. When considering these forward-looking statements, you should keep in mind the risks described from time to time in the Company's filings with the SEC, including its Annual Report on Form 20-F. The Company undertakes no obligation to update any forward looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, the Company cannot assess the impact of each such factors on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward looking statement.



- 1 Highlights
- 2 Financial Performance
- 3 Market Outlook
- 4 Summary and Q&A

➤ **Operations**

- Record operational uptime
- Seadrill Group economic utilisation of 99%

➤ **Commercial**

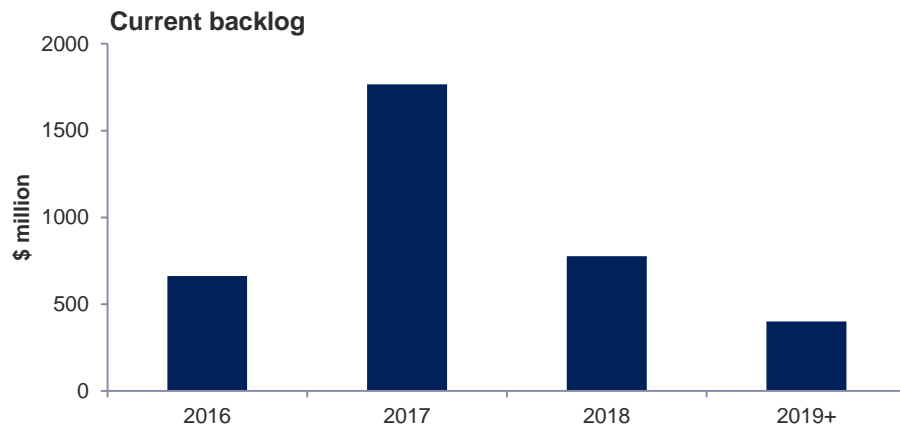
- Net backlog improvement of \$21 million

➤ **Costs**

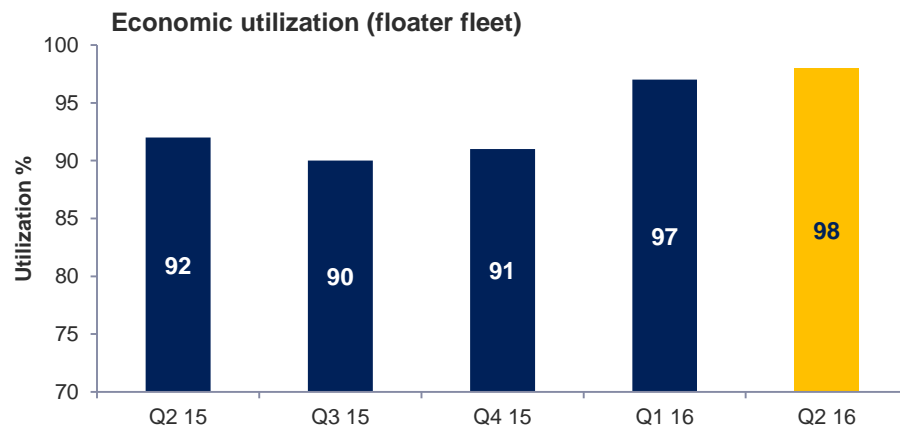
- Vessel and rig operating costs down \$42 million compared to Q1

➤ **Newbuilds**

- No scheduled deliveries in 2016
- Continued progress regarding additional deferments



- Current order backlog of \$3.6 billion
 - \$8.0 billion for Seadrill Group



- Safe and efficient operations
 - 98% economic utilization for floater fleet
 - 99% for jack-up fleet

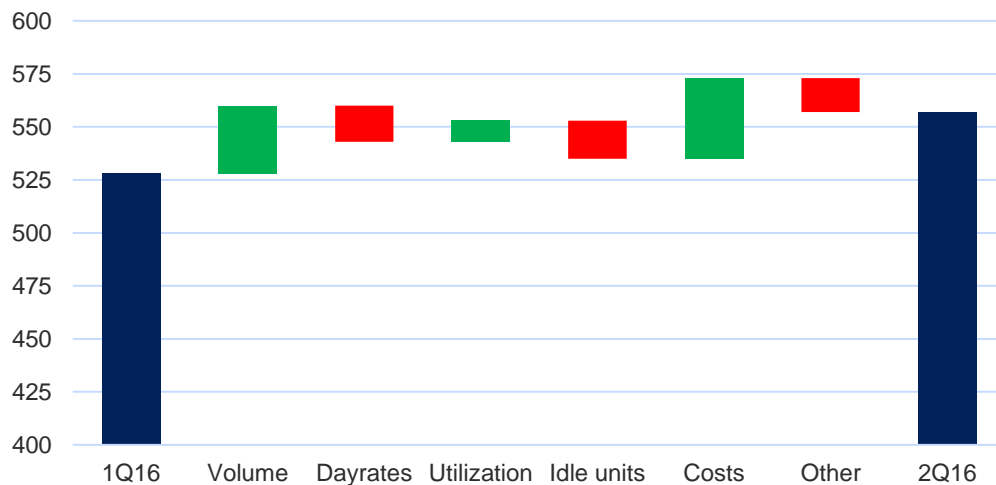
Financial Performance

Revenue & EBITDA* bridge

Revenue



EBITDA



- **Volume**: Full quarter of operations for the West Phoenix and the commencement of operations for the West Eclipse and Sevan Driller
- **Dayrates**: Reduced dayrate on the West Tellus
- **Utilization**: Improved uptime
- **Idle units**: West Castor and West Prospero became idle during the quarter
- **Costs**: Improved opex on operating units and lower stacking costs
- **Other**: Changes in unfavourable contract amortization, add-on sales and reimbursable revenues

Balance sheet main movements

Quarter over quarter	June 30, 2016	March 31, 2016	Change
Cash and cash equivalents	1,287	1,092	195
Marketable securities – current	141	286	(145)
Amount due from related party– current	470	585	(115)
Amount due from related party– non current	550	463	87
Current portion of long term debt	2,347	1,278	1,069
Long-term debt	7,717	9,205	(1,488)
Total assets	23,016	23,065	(1%)
Total liabilities	12,695	13,029	(3%)
Total equity	10,321	10,036	3%

Q2 cash balance

- \$1.3 billion in cash and cash equivalents at quarter end

Continue to cut costs to match lower revenue environment

- Headcount reductions
- Opex reductions

No newbuild instalments or rig deliveries in 2016

- Near term stability created with maturity extensions and covenant waivers
- Longer term solution to bridge to a recovery
- Milestones met as they have become due
- Expect to conclude by year end

Q3 2016 guidance

- EBITDA* is forecasted to be around \$380 million,
based on forecasted Operating Income of around \$183 million.

FY 2016 guidance

- EBITDA* is forecasted to be around \$1.8 billion,
based on forecasted Operating Income of around \$1.0 billion.

** EBITDA is defined in the Appendix*

Market Outlook



- **Record operating quarter**
- **Cost reductions flowing through**
- **Managing yard commitments**
- **Financing plans on track**

Q&A



Appendix: Seadrill Limited Financials



Appendix – Non-GAAP Financial Measures



* **EBITDA** is defined as 'Earnings Before Interest, Tax, Depreciation and Amortization' and has been calculated by taking operating income plus depreciation and amortization but excluding gains or losses on disposals and impairment charges against goodwill. Contingent consideration realized relates to Seadrill's ongoing residual interest in the West Vela and West Polaris customer contracts, and has been included within EBITDA. Additionally, in any given period the Company may have significant, unusual or non-recurring gains or losses which it may exclude from its Non GAAP earnings for that period. When applicable, these items would be fully disclosed and incorporated into the required reconciliations from US GAAP to Non GAAP measures.

<i>\$'millions</i>	2016 Q1	2016 Q2	2016 Q3 guidance	FY 2016 guidance
Operating Income	328	364	183	1,000
Depreciation and amortization	200	193	197	800
EBITDA	528	557	380	1,800

Financial Performance Highlights



	Q2 2016	Q1 2016	Change	% Change
Total operating revenue	\$868	\$891	(\$23)	(3%)
Contingent consideration realized	\$5	\$5	\$—	—%
Total operating expenses	\$509	\$568	(\$59)	(10%)
Net operating income	\$364	\$328	\$36	11%
EBITDA	\$557	\$528	\$29	5%

Balance Sheet Summary

	June 30, 2016	March 31, 2016	Change	%Change
Total Current Assets	\$3,056	\$3,141	(\$85)	(3%)
Non-current assets				—%
Investment in associated companies	\$2,656	\$2,583	\$73	3%
Newbuildings	\$1,507	\$1,496	\$11	1%
Drilling units	\$14,637	\$14,767	(\$130)	(1%)
Other	\$1,160	\$1,078	\$82	8%
Total non-current assets	\$19,960	\$19,924	\$36	—%
TOTAL ASSETS	\$23,016	\$23,065	(\$49)	—%
Current Liabilities				
Current portion of long-term debt	\$2,347	\$1,278	\$1,069	84%
Other	\$1,968	\$1,956	\$12	1%
Total current liabilities	\$4,315	\$3,234	\$1,081	33%
Non-current liabilities				
Total Long-term Debt	\$7,717	\$9,205	(\$1,488)	(16%)
Other	\$663	\$590	\$73	12%
Total non-current liabilities	\$8,380	\$9,795	(\$1,415)	(14%)
TOTAL LIABILITIES	\$12,695	\$13,029	(\$334)	(3%)
Equity				
Total shareholder's equity	\$10,321	\$10,036	\$285	3%
Total liabilities and shareholder's equity	\$23,016	\$23,065	(\$49)	—%

- Total assets of \$23,016 million as at June 30, 2016
- Total net interest bearing debt decreased to \$9,114 million due to repayment of loans

Operating Income - 2Q16

<i>Unaudited accounts in USD millions</i>	Total	Floaters	Jack-ups	Other
Contract revenues	809	577	232	—
Reimbursable revenues	16	14	2	—
Other revenues	43	19	—	24
Total operating revenues	868	610	234	24
Contingent consideration realized	5	5	—	—
Vessel and rig operating expenses	248	152	75	21
Reimbursable expenses	14	13	1	—
Depreciation and amortization	193	142	51	—
General and administrative expenses	54	38	15	1
Total operating expenses	509	345	142	22
Net operating income	364	270	92	2

Operating Income - Floaters

<i>Unaudited accounts in USD millions</i>	2Q16	1Q16	4Q15	3Q15
Total operating revenues	610	616	644	647
Loss on disposals*	—	—	(89)	(80)
Contingent consideration realized	5	5	19	19
Vessel and rig operating expenses	152	181	235	233
Reimbursable expenses	13	14	29	24
Depreciation and amortization	142	148	147	140
Impairment loss on Goodwill	—	—	—	563
General and administrative expenses	38	41	46	36
Total operating expenses	345	384	457	996
Net operating income/(loss)	270	237	117	(410)

* Loss on sale of assets at 4Q15 primarily relates to West Rigel and at 3Q15 primarily relates to the disposal of West Mira

Operating Income – Jack-up Rigs

<i>Unaudited accounts in USD millions</i>	2Q16	1Q16	4Q15	3Q15
Total operating revenues	234	246	282	306
Loss on disposals	—	—	(4)	(3)
Vessel and rig operating expenses	75	88	107	117
Reimbursable expenses	1	4	—	4
Depreciation and amortization	51	52	50	51
General and administrative expenses	15	16	19	17
Total operating expenses	142	160	176	189
Net operating income	92	86	102	114

Operating Income – Total Seadrill Limited



<i>Unaudited accounts in USD millions</i>	2Q16	1Q16	4Q15	3Q15
Total operating revenues	868	891	959	985
Loss on sale of assets*	—	—	(93)	(82)
Contingent consideration realized	5	5	19	19
Vessel and rig operating expenses	248	290	369	374
Reimbursable expenses	14	18	29	29
Depreciation and amortization	193	200	197	192
Impairment loss on Goodwill	—	—	—	563
General and administrative expenses	54	60	67	55
Total operating expenses	509	568	662	1,213
Net operating income/(loss)	364	328	223	(291)

**Loss on sale of assets at 4Q15 primarily relates to West Rigel
Loss on sale of assets at 3Q15 primarily relates to the disposal of West Mira*

Net Income – Total Seadrill Limited



<i>Unaudited accounts in USD millions</i>	2Q16	1Q16	4Q15	3Q15
Net operating income/(loss)	364	328	223	(291)
Financial items and other income				
Interest income	16	20	18	15
Interest expense	(105)	(102)	(98)	(105)
Loss on impairment of investments	—	(24)	—	(1,274)
Share in results from associated companies*	58	39	119	(39)
(Loss)/gain on derivative financial instruments	(60)	(87)	40	(177)
Net gain on debt extinguishment	47	—	—	—
Foreign exchange (loss)/gain	10	(15)	31	4
Other financial items, net	2	13	17	1
Total financial items and other (expense)/income, net	(32)	(156)	127	(1,575)
Income/(loss) before income taxes	332	172	350	(1,866)
Income taxes	(56)	(84)	(71)	(34)
Net income/(loss)	276	88	279	(1,900)
Basic earnings/(loss) per share (\$)	0.52	0.15	0.58	(3.70)

* Dividends received from marketable securities have been represented in other financial items for current and prior periods

Balance Sheet - Assets

<i>Unaudited accounts in USD millions</i>	June 30, 2016	March 31, 2016	December 31, 2015
Current assets			
Cash and cash equivalents	1,287	1,092	1,044
Restricted cash	96	104	50
Marketable securities	141	286	96
Accounts receivables, net	727	710	718
Other current assets	805	949	1,034
Total current assets	3,056	3,141	2,942
Non-current assets			
Investment in associated companies	2,656	2,583	2,590
Newbuildings	1,507	1,496	1,479
Drilling units	14,637	14,767	14,930
Goodwill	—	—	—
Assets held for sale – non current	128	128	128
Restricted cash	35	35	198
Deferred tax assets	84	86	81
Other non-current assets	913	829	1,122
Total non-current assets	19,960	19,924	20,528
Total assets	23,016	23,065	23,470

Balance Sheet – Liabilities & Shareholder's Equity



Unaudited accounts in USD millions

	June 30, 2016	March 31, 2016	December 31, 2015
Current liabilities			
Current portion of long-term debt	2,347	1,278	1,489
Trade accounts payable	158	152	141
Other current liabilities	1,810	1,804	1,836
Total current liabilities	4,315	3,234	3,466
Non-current liabilities			
Long-term interest bearing debt	7,717	9,205	9,054
Deferred taxes	161	153	136
Other non-current liabilities	502	437	839
Total non-current liabilities	8,380	9,795	10,029
Equity			
Total shareholder's equity	10,321	10,036	9,975
Total liabilities and shareholder's equity	23,016	23,065	23,470