

## PROSPECTUS



Seadrill Limited

(An exempted company limited by shares incorporated under the laws of Bermuda)

### Listing of the Company's common shares on the Oslo Stock Exchange

---

This prospectus (the "**Prospectus**") has been prepared in connection with the listing (the "**Listing**") by Seadrill Limited, an exempted company limited by shares incorporated under the laws of Bermuda with registration number 53439 (the "**Company**", "**Seadrill**" or the "**Successor**" and from the Effective Date (as defined herein) together with its consolidated subsidiaries, the "**Group**"), on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**") of 100,000,000 common shares in the Company with a par value of USD 0.10 (the "**Shares**").

The Company applied for the Shares to be admitted for trading and listing on the Oslo Stock Exchange on 19 July 2018, and the board of directors of the Oslo Stock Exchange approved the listing application of the Company on 24 July 2018. Trading in the Shares on the Oslo Stock Exchange is expected to commence on or about 26 July 2018, under the ticker code "SDRL".

The Company has with effect from the Effective Date, being the date when the Debtors (as defined herein) emerged from Chapter 11 Proceedings (as defined herein), served as the ultimate parent holding company of the Group. Certain information described herein relates to the period prior to the Effective Date when the Company's predecessor Seadrill Limited, a company in which the economic interests in its shares were extinguished on the Effective Date with registration number 36832, (referred to herein as "**Old Seadrill**" or the "**Predecessor**", and together with its consolidated subsidiaries prior to the Effective Date the "**Group**"), and not the Company, was the parent holding company of the Group.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended, and as implemented in Norway (the "**EU Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*) (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act on 25 July 2018. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval of this Prospectus by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

The Shares are registered in the Norwegian Central Securities Depository (the "**VPS**") in book-entry form. All Shares rank in parity with one another and carry one vote per Share.

**THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS ONLY. THE PROSPECTUS DOES NOT CONSTITUTE AN OFFER, OR INVITATION TO PURCHASE, SUBSCRIBE OR SELL, ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SHARES OR OTHER SECURITIES ARE BEING OFFERED OR SOLD IN ANY JURISDICTION PURSUANT TO THIS PROSPECTUS**

Investing in the Shares involves certain risks. See Section 2 "Risk factors" beginning on page 20.

The date of this Prospectus is 25 July 2018

## IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the listing of the Shares on the Oslo Stock Exchange and in order to provide information about the Group and its business.

For definitions of certain other terms used throughout this Prospectus, see Section 20 "Definitions and glossary".

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors between the time of approval of this Prospectus by the Norwegian FSA and the Listing on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorized to give information or to make any representation concerning the Group or in connection with the Listing or the Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Company or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

**The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, subscribe or sell any of the securities described herein. No one has taken any action that would permit a public offering of the Shares. Accordingly, neither this Prospectus nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.**

A reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its content is prohibited.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

### EXCHANGE CONTROL

**Consent under the Bermuda Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of the Shares from and/or to non-residents and residents of Bermuda for exchange control purposes provided that the Shares are listed on an appointed stock exchange, which includes the Oslo Stock Exchange. In granting such consent, neither the Bermuda Monetary Authority nor any other relevant Bermuda authority or government body accepts any responsibility for the Company's financial soundness or the correctness of any of the statements made or opinions expressed in this Prospectus.**

See Section 18 "Selling and transfer restrictions" for certain other notices to investors.

### INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MIFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "**Positive Target Market**"); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Appropriate Channels for Distribution**"). Distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile (the "**Negative Target Market**"), and, together with the Positive Target Market, the "**Target Market Assessment**").

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to any subsequent offering or sale of the Shares.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

### ENFORCEMENT OF CIVIL LIABILITIES

The Company is an exempted company limited by shares incorporated under the laws of Bermuda. As a result, the rights of holders of the Shares will be governed by Bermuda law and the Company's memorandum of association and the Company's bye-laws attached hereto as Appendix A ("**Bye-Laws**"). The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Except for Eugene I. Davis and Scott Vogel, none of the members of the Company's board of directors (the "**Board of Directors**" and each member of the Board of Directors a "**Director**") are residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its directors and executive officers in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any State or territory within the United States. It is doubtful whether courts in Norway or Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against the Company or its directors or officers under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway or Bermuda. The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters with either Norway or Bermuda.

## TABLE OF CONTENTS

Section	Page
1 SUMMARY .....	4
2 RISK FACTORS .....	20
2.1 Risks relating to the Group and the industry in which it operates .....	20
2.2 Risks related to emergence from Chapter 11 Proceedings .....	43
2.3 Risks relating to the Shareholders and the Shares.....	44
3 RESPONSIBILITY FOR THE PROSPECTUS.....	48
4 GENERAL INFORMATION .....	49
4.1 Other important investor information .....	49
4.2 The Reorganization .....	49
4.3 Presentation of financial and other information .....	49
4.4 Cautionary note regarding forward-looking statements.....	53
4.5 Exchange rates.....	55
5 THE CHAPTER 11 REORGANIZATION .....	56
5.1 Overview .....	56
6 DIVIDEND AND DIVIDEND POLICY .....	60
6.1 Dividend policy and legal constrains and restrictions on the distribution of dividend .....	60
6.2 Manner of dividend payments.....	60
7 INDUSTRY AND MARKET OVERVIEW.....	61
7.1 Introduction .....	61
7.2 Development of Brent oil price.....	61
7.3 The global fleet of drilling units.....	62
7.4 Competition .....	65
8 BUSINESS OF THE GROUP.....	67
8.1 Overview of the Group's activities .....	67
8.2 Competitive strengths .....	68
8.3 Overall strategy.....	68
8.4 History .....	69
8.5 Property, plants and equipment.....	72
8.6 Material contracts .....	74
8.7 Employees .....	76
8.8 Dependency on contracts, patents and licenses .....	77
8.9 Litigation and disputes.....	77
8.10 Health, safety and environment .....	77
8.11 Regulation .....	78
8.12 Intellectual property.....	80
8.13 Insurance .....	80
9 CAPITALIZATION AND INDEBTEDNESS .....	82
9.1 Introduction .....	82
9.2 Capitalization .....	82
9.3 Indebtedness .....	83
9.4 Working capital statement .....	84
9.5 Contingent and indirect indebtedness .....	84
10 SELECTED FINANCIAL INFORMATION .....	85
10.1 Introduction .....	85
10.2 Summary of accounting policies and principles .....	85
10.3 Consolidated statements of operations .....	85
10.4 Consolidated statements of comprehensive (loss)/income.....	86
10.5 Consolidated balance sheets.....	87
10.6 Consolidated statements of cash flow .....	88

10.7	Consolidated statements of changes in shareholders' equity .....	89
10.8	Segment information.....	90
10.9	Geographic segment data .....	92
11	UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	93
11.1	Introduction .....	93
11.2	Unaudited pro forma condensed consolidated statement of operations.....	94
11.3	Unaudited pro forma condensed consolidated balance sheet .....	95
11.4	Notes to the unaudited pro forma condensed consolidated financial statements .....	96
12	OPERATING AND FINANCIAL REVIEW .....	103
12.1	Overview and presentation.....	103
12.2	The Group's results of operations.....	115
12.3	The Group's financial position .....	122
12.4	Non-U.S. GAAP financial measures .....	123
12.5	Liquidity and capital resources.....	123
12.6	Research and development, patents and licenses, etc.....	136
12.7	Recent developments and trends .....	137
12.8	Off-balance sheet arrangements .....	138
12.9	Tabular disclosure of contractual obligations.....	139
12.10	Significant changes .....	140
13	BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE.....	142
13.1	Board of Directors .....	142
13.2	Management .....	146
13.3	Remuneration to Old Seadrill's board of directors and executive officers .....	148
13.4	Benefits upon termination .....	148
13.5	Pension and retirement benefits.....	148
13.6	Loans and guarantees .....	149
13.7	Board committees.....	149
13.8	Conflicts of interests etc. ....	149
13.9	Corporate governance .....	149
14	RELATED PARTY TRANSACTIONS.....	151
14.1	Introduction .....	151
14.2	Transactions carried out with related parties in the years ended 31 December 2017, 2016 and 2015 .....	151
14.3	Transactions carried out with related parties in the period following 31 December 2017 and until the date of this Prospectus.....	162
15	CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL .....	164
15.1	Corporate information .....	164
15.2	Legal structure .....	164
15.3	Authorized and issued share capital.....	166
15.4	Common shares.....	167
15.5	Preference shares .....	167
15.6	Share capital history .....	167
15.7	Admission to trading .....	167
15.8	VPS registration of the Shares.....	167
15.9	Transfer of shares between the NYSE and the Oslo Stock Exchange .....	168
15.10	Ownership structure.....	168
15.11	Share repurchase and treasury shares.....	168
15.12	Other financial instruments .....	168
15.13	Shareholder rights .....	169
15.14	The memorandum of association, Bye-Laws and Bermuda Law .....	169
16	SECURITIES TRADING IN NORWAY .....	179
16.1	Introduction .....	179
16.2	Trading and settlement.....	179
16.3	Information, control and surveillance.....	179



16.4	The VPS and transfer of shares.....	180
16.5	Shareholder register – Norwegian law .....	180
16.6	Foreign investments in shares listed in Norway.....	180
16.7	Disclosure obligations.....	181
16.8	Insider trading.....	181
16.9	Mandatory offer requirement.....	181
16.10	Foreign exchange controls.....	182
17	TAXATION.....	183
17.1	Bermuda taxation .....	183
17.2	Norwegian taxation .....	183
18	SELLING AND TRANSFER RESTRICTIONS .....	186
19	ADDITIONAL INFORMATION .....	187
19.1	Auditor and advisors .....	187
19.2	Documents on display .....	187
19.3	Incorporation by reference.....	187
20	DEFINITIONS AND GLOSSARY .....	189
Appendix A:	Bye-laws of Seadrill Limited	A1
Appendix B:	Audited interim financial information for Seadrill Limited (for the period 14 March 2018 – 31 March 2018)	B1
Appendix C:	Independent auditor's report on the Pro Forma Financial Information	C1
Appendix D:	Exhibit G to the disclosure statement filed with the Bankruptcy Court on 26 February 2018	D1
Appendix E:	Exhibit H to the disclosure statement filed with the Bankruptcy Court on 26 February 2018	E1

## 1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A– E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

### Section A – Introduction and Warnings

<b>A.1</b> <b>Warning</b>	<p>This summary should be read as an introduction to the Prospectus; any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;</p> <p>where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated;</p> <p>and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
---------------------------	---

### Section B – Issuer

<b>B.1</b> <b>Legal and commercial name</b>	<p>Seadrill Limited.</p>
<b>B.2</b> <b>Domicile and legal form, legislation and country of incorporation</b>	<p>Seadrill was incorporated on 14 March 2018 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act.</p>
<b>B.3</b> <b>Current operations, principal activities and markets</b>	<p>Seadrill is an offshore drilling contractor, providing worldwide drilling services to the oil and gas industry. Seadrill's primary business is the ownership and operation of drillships, semi-submersible rigs and jack-up rigs for operations in shallow-, mid-, deep and ultra-deepwater areas and in benign and harsh environments. The Group's customers are oil and gas exploration and production companies, including integrated oil companies, state-owned national oil companies and independent oil and gas companies. As at 31 March 2018, the Group's five largest customers in terms of revenue were certain subsidiaries of Total S.A., Petrobras (Petróleo Brasileiro S.A.), ENI SpA, Saudi Aramco (Saudi Arabian Oil Company) and ExxonMobil Corporation.</p> <p>As of 31 March 2018, the Group had approximately 4,600 employees worldwide. The Group has global operations, and its activities are conducted in the global oil and gas industry. The majority of the Group's revenues are generated from areas where the rigs are in operation, such as Angola, Brazil, India, Nigeria, Norway, Saudi Arabia, Thailand, the United Kingdom, and the United States.</p>

	<p>As at 31 March 2018, the Group had a fleet comprising of 35 offshore drilling units consisting of 7 drillships, 12 semi-submersible rigs and 16 jack-up rigs in operation, and contracts for the construction of 8 jack-up rigs and an option to acquire 1 semi-submersible rig. The Group has a young fleet, with an average fleet age of eight years. The Group operates its business through the following three segments: (i) floaters; (ii) jack-up rigs; and (iii) other activities.</p> <p><i>Floaters</i></p> <p>The floaters segment comprises the Group's semi-submersible rigs and drillships. Through this segment, the Group provides services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to semi-submersible rigs and drillships for harsh and benign environments in mid-, deep- and ultra-deep waters.</p> <p>Semi-submersible rigs are self-propelled drilling rigs (which include cylindrical designed units) consisting of an upper working and living quarters deck connected to a lower hull consisting of columns and pontoons. Semi-submersible rigs can be either moored or dynamically positioned. Moored semi-submersible rigs are positioned over the wellhead location with anchors and typically operate in water depths ranging up to 1,500 feet. Dynamically positioned semi-submersible rigs are positioned over the wellhead location by a computer-controlled thruster system and typically operate in water depths ranging from 1,000 to 12,000 feet. The drillships are equipped for drilling offshore in depths ranging from 1,000 feet to 12,000 feet, and are positioned over the well through a computer-controlled thruster system similar to what is used on semi-submersible rigs.</p> <p><i>Jack-up rigs</i></p> <p>The jack-up rigs segment comprises the Group's jack-up rigs. Through this segment, the Group provides services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to jack-up rigs for harsh and benign environments.</p> <p>Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the seabed. A jack-up rig is mobilized to the drill site with a heavy lift vessel or a wet tow. At the drill site, the legs are lowered until they penetrate the sea bed and the hull is elevated to an approximate operational airgap of 50 to 100 feet depending on the expected environmental forces. Jack-ups are generally suitable for water depths of 450 feet or less.</p> <p><i>Other</i></p> <p>The Group's other operations include providing management services to third parties and related parties.</p>
<p><b>B.4a</b>      <b>Significant recent trends affecting the issuer and the industry in which it operates</b></p>	<p>The offshore drilling market is entering the fifth year of a downturn and the timing of recovery remains uncertain. Brent oil prices have been in the range from USD 45 to USD 55 throughout most of 2017, before increasing in the last quarter of 2017 and early 2018. The Brent oil price on 31 March 2018 was USD 70.</p>

	<p>Oil and gas companies have responded to the decrease in oil price over the downturn by decreasing their upstream expenditures. During 2017, an increase in the activity level in the floater market has been seen, albeit primarily for short-term work at extremely competitive dayrates. This improvement was from a low base and the Company still expects utilization in the floater market to get worse before it improves. The offshore drilling market remains oversupplied and offshore drilling contractors have continued to aggressively market their rigs, often focusing on utilization over returns.</p> <p>Whether the recent increase in oil price will lead to a recovery in offshore exploration and development expenditure in 2018 remains uncertain. It is important to recognize that the resetting of costs across the value chain may facilitate increased activity with only a marginal increase in oil prices.</p>																																
<p><b>B.5 Description of the Group</b></p>	<p>After completion of the Chapter 11 Proceedings (as defined below), Seadrill became the ultimate parent company of the Group. As of the Effective Date, Seadrill is a holding company where its primary activity is to hold shares in other companies. The Group's operations are entirely carried out by Seadrill's operating subsidiaries. See Section 15.2 "Legal structure" for an overview of Seadrill's significant subsidiaries.</p>																																
<p><b>B.6 Interests in the Company and voting rights</b></p>	<p>As of the Effective Date, the Company is not aware of any other shareholder (being beneficial owners of the Shares) who holds more than 5% of the issued Shares than Hemen, Aristeia Capital, LLC, investment funds affiliated with Centerbridge Partners L.P, GLG Partners LP and Saba Capital Management, L.P.</p> <p>There are no differences in voting rights between the Shares. The Company is not aware of any arrangements that may at a subsequent date result in a change of control of the Company.</p> <p>The Company's 10 largest shareholders as of the Effective Date are shown in the table below.</p>																																
<table border="1"> <thead> <tr> <th data-bbox="217 1391 245 1413">#</th> <th data-bbox="300 1391 443 1413">Shareholders</th> <th data-bbox="1225 1391 1414 1413">Number of shares</th> </tr> </thead> <tbody> <tr> <td data-bbox="217 1420 229 1442">1</td> <td data-bbox="300 1420 1118 1442">Hemen Investments Limited.....</td> <td data-bbox="1305 1420 1414 1442">29,800,052</td> </tr> <tr> <td data-bbox="217 1449 229 1471">2</td> <td data-bbox="300 1449 1118 1471">Centerbridge Credit Partners Master AIV III, L.P.....</td> <td data-bbox="1305 1449 1414 1471">6,096,428</td> </tr> <tr> <td data-bbox="217 1478 229 1500">3</td> <td data-bbox="300 1478 1118 1500">Emery 68, LLC.....</td> <td data-bbox="1305 1478 1414 1500">5,789,610</td> </tr> <tr> <td data-bbox="217 1507 229 1529">4</td> <td data-bbox="300 1507 1118 1529">Aristeia Master, L.P.....</td> <td data-bbox="1305 1507 1414 1529">5,461,150</td> </tr> <tr> <td data-bbox="217 1536 229 1559">5</td> <td data-bbox="300 1536 1118 1559">Attestor Value Master Fund LP.....</td> <td data-bbox="1305 1536 1414 1559">3,535,968</td> </tr> <tr> <td data-bbox="217 1565 229 1588">6</td> <td data-bbox="300 1565 1118 1588">SABA CAPITAL MASTER FUND II, LTD.....</td> <td data-bbox="1305 1565 1414 1588">3,363,180</td> </tr> <tr> <td data-bbox="217 1594 229 1617">7</td> <td data-bbox="300 1594 1118 1617">Man GLG European Distressed.....</td> <td data-bbox="1305 1594 1414 1617">3,286,959</td> </tr> <tr> <td data-bbox="217 1624 229 1646">8</td> <td data-bbox="300 1624 1118 1646">Centerbridge Special Credit Partners III AIV III, L.P.....</td> <td data-bbox="1305 1624 1414 1646">2,342,478</td> </tr> <tr> <td data-bbox="217 1653 229 1675">9</td> <td data-bbox="300 1653 1118 1675">IF P&amp;C Insurance Ltd.....</td> <td data-bbox="1305 1653 1414 1675">1,901,133</td> </tr> <tr> <td data-bbox="217 1682 229 1704">10</td> <td data-bbox="300 1682 1118 1704">Crown Managed Accounts SPC.....</td> <td data-bbox="1305 1682 1414 1704">1,822,114</td> </tr> </tbody> </table>	#	Shareholders	Number of shares	1	Hemen Investments Limited.....	29,800,052	2	Centerbridge Credit Partners Master AIV III, L.P.....	6,096,428	3	Emery 68, LLC.....	5,789,610	4	Aristeia Master, L.P.....	5,461,150	5	Attestor Value Master Fund LP.....	3,535,968	6	SABA CAPITAL MASTER FUND II, LTD.....	3,363,180	7	Man GLG European Distressed.....	3,286,959	8	Centerbridge Special Credit Partners III AIV III, L.P.....	2,342,478	9	IF P&C Insurance Ltd.....	1,901,133	10	Crown Managed Accounts SPC.....	1,822,114
#	Shareholders	Number of shares																															
1	Hemen Investments Limited.....	29,800,052																															
2	Centerbridge Credit Partners Master AIV III, L.P.....	6,096,428																															
3	Emery 68, LLC.....	5,789,610																															
4	Aristeia Master, L.P.....	5,461,150																															
5	Attestor Value Master Fund LP.....	3,535,968																															
6	SABA CAPITAL MASTER FUND II, LTD.....	3,363,180																															
7	Man GLG European Distressed.....	3,286,959																															
8	Centerbridge Special Credit Partners III AIV III, L.P.....	2,342,478																															
9	IF P&C Insurance Ltd.....	1,901,133																															
10	Crown Managed Accounts SPC.....	1,822,114																															
<p><b>B.7 Selected historical key financial information</b></p>	<p>The following selected financial information has been extracted from the Group's audited financial statements as at and for the years ended 31 December 2017, 2016 and 2015 (the Financial Statements), with Old Seadrill as the ultimate parent holding company of the consolidated subsidiaries up until the Effective Date (as defined below)). The Financial Statements have been prepared in accordance with U.S. GAAP. The selected financial information included in the Prospectus should be read in connection with, and is qualified in its entirety by reference to, the Financial Statements included in this</p>																																

Prospectus by reference (see Section 19.3 "Incorporation by reference").

Seadrill was incorporated on 14 March 2018 and has available audited financial statements prepared in accordance with U.S. GAAP for the interim period from 14 March 2018 to 31 March 2018. The Company has apart from this no historical financial information. The Company's audited interim financial information is included in this Prospectus in Appendix B.

### Consolidated statement of operations

(In USD millions (except per share data))

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
<b>Operating revenues</b>			
Contract revenues .....	1,888	2,850	3,957
Reimbursable revenues .....	38	66	113
Other revenues <sup>1</sup> .....	162	253	265
<b>Total operating revenues</b> .....	<b>2,088</b>	<b>3,169</b>	<b>4,335</b>
<b>Loss on disposals</b> .....	<b>(245)</b>	<b>-</b>	<b>(63)</b>
<b>Contingent consideration realized</b> .....	<b>27</b>	<b>21</b>	<b>47</b>
<b>Operating expenses</b>			
Vessels and rig operating expenses <sup>1</sup> .....	792	1,015	1,611
Reimbursable expenses .....	35	61	99
Depreciation and amortization .....	798	810	779
Loss on impairment of long lived assets .....	696	44	563
General and administrative expenses <sup>1</sup> .....	277	234	248
<b>Total operating expenses</b> .....	<b>2,598</b>	<b>2,164</b>	<b>3,300</b>
<b>Operating (loss)/income</b> .....	<b>(728)</b>	<b>1,026</b>	<b>1,019</b>
<b>Financial items and other income/(expense), net</b>			
Interest income <sup>1</sup> .....	60	66	67
Interest expense <sup>1</sup> .....	(285)	(412)	(415)
Share in results from associated companies (net of tax) ..	174	283	192
Loss on impairment of investments .....	(841)	(895)	(1,285)
Gain/(loss) on derivative financial instruments <sup>1</sup> .....	11	(74)	(150)
Net gain on debt extinguishment .....	19	47	8
Foreign exchange (loss)/gain .....	(65)	18	63
Gain on sale of tender rig business .....	-	-	22
Reorganization items, net .....	(1,337)	-	-
Other financial items and other (expense)/income, net ...	(44)	(15)	52
<b>Total financial items and other (expense)/income, net</b> .....	<b>(2,308)</b>	<b>(982)</b>	<b>(1,446)</b>
<b>(Loss)/income before income taxes</b> .....	<b>(3,036)</b>	<b>44</b>	<b>(427)</b>
Income tax expense .....	(66)	(199)	(208)
<b>Net loss</b> .....	<b>(3,102)</b>	<b>(155)</b>	<b>(635)</b>
<b>Net (loss)/income attributable to the non-controlling interest</b> .....	<b>(129)</b>	<b>26</b>	<b>(1)</b>
<b>Net loss attributable to the parent</b> .....	<b>(2,973)</b>	<b>(181)</b>	<b>(634)</b>
<b>Basic loss per share (U.S. dollar)</b> .....	<b>(5.89)</b>	<b>(0.36)</b>	<b>(1.29)</b>
<b>Diluted loss per share (U.S. dollar)</b> .....	<b>(5.89)</b>	<b>(0.36)</b>	<b>(1.29)</b>

<sup>1</sup> Includes transactions with related parties. Reference is made to note 30 "Related party transactions" of the financial statements for the year ended 31 December 2017.

<b>Consolidated statements of comprehensive (loss)/income</b>			
<i>(In USD millions)</i>	<b>As of</b>		
	<b>31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Net loss</b> .....	<b>(3,102)</b>	<b>(155)</b>	<b>(635)</b>
Other comprehensive income/(loss), net of tax			
Unrealized gain/(loss) on marketable securities, net .....	14	17	(460)
Actuarial (loss)/gain relating to pensions .....	(3)	22	27
Other than temporary impairment of marketable securities, reclassification of Statement of Operations .....	-	153	752
Unrealized foreign exchange differences .....	-	-	(15)
Other .....	2	1	-
Share of other comprehensive (loss)/income from associated companies .....	(8)	10	10
<b>Other comprehensive income</b> .....	<b>5</b>	<b>203</b>	<b>314</b>
<b>Total comprehensive (loss)/income for the period</b> ..	<b>(3,097)</b>	<b>48</b>	<b>(321)</b>
<b>Comprehensive (loss)/income attributable to the non-controlling interest</b> .....	<b>(121)</b>	<b>34</b>	<b>7</b>
<b>Comprehensive (loss)/income attributable to the parent</b> .....	<b>(2,976)</b>	<b>14</b>	<b>(328)</b>
<b>Consolidated balance sheets</b>			
<i>(In USD millions)</i>	<b>As of</b>		
	<b>31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	1,255	1,368	1,044
Restricted cash .....	104	75	50
Marketable securities .....	124	110	96
Accounts receivables, net .....	295	462	718
Amount due from related parties - current .....	217	376	639
Other current assets .....	257	495	395
<b>Total current assets</b> .....	<b>2,252</b>	<b>2,886</b>	<b>2,942</b>
<b>Non-current assets</b>			
Investment in associated companies .....	1,473	2,168	2,592
Marketable securities .....	-	-	195
Newbuildings .....	248	1,531	1,479
Drilling units .....	13,216	14,276	14,930
Restricted cash .....	-	-	198
Deferred tax assets .....	10	12	81
Equipment .....	29	41	46
Amounts due from related parties – non-current .....	547	523	517
Assets held for sale – non-current .....	126	128	128
Other non-current assets .....	81	101	331
<b>Total non-current assets</b> .....	<b>15,730</b>	<b>18,780</b>	<b>20,497</b>
<b>Total assets</b> .....	<b>17,982</b>	<b>21,666</b>	<b>23,439</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Debt due within one year .....	509	3,195	1,489
Trade accounts payable .....	72	93	141
Amounts due to related parties - current .....	10	83	152
Other current liabilities .....	268	1,352	1,560
<b>Total current liabilities</b> .....	<b>859</b>	<b>4,723</b>	<b>3,342</b>
<b>Liabilities subject to compromise</b> .....	<b>9,191</b>	<b>-</b>	<b>-</b>

<b>Non-current liabilities</b>			
Long-term debt .....	485	6,319	9,054
Long-term debt due to related parties .....	314	330	438
Deferred tax liabilities .....	107	112	136
Other non-current liabilities .....	67	119	401
<b>Total non-current liabilities</b> .....	<b>973</b>	<b>6,880</b>	<b>10,029</b>
<b>Equity</b>			
Common shares of par value US\$ 2.00 per share:			
800,000 shares authorized 504,518,940 outstanding at			
December 31, 2017 (December 31, 2016, 504,444,280) ..	1,008	1,008	985
Additional paid in capital .....	3,313	3,306	3,275
Contributed surplus .....	1,956	1,956	1,956
Accumulated other comprehensive income .....	58	53	(142)
Retained earnings .....	225	3,198	3,379
<b>Total Shareholder's equity</b> .....	<b>6,560</b>	<b>9,521</b>	<b>9,453</b>
Non-controlling interest .....	399	542	615
<b>Total equity</b> .....	<b>6,959</b>	<b>10,063</b>	<b>10,068</b>
<b>Total liabilities and equity</b> .....	<b>17,982</b>	<b>21,666</b>	<b>23,439</b>

**Consolidated statements of cash flows***(In USD millions)*

	Year ended		
	31 December		
	2017	2016	2015
	(audited)	(audited)	(audited)
<b>Cash flows from Operating Activities</b>			
Net loss .....	(3,102)	(155)	(635)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>			
Depreciation and amortization .....	798	810	779
Amortization of deferred loan charges .....	27	45	39
Amortization of unfavorable and favorable contracts .....	(43)	(65)	(116)
Share of results from associated companies .....	(174)	(283)	(192)
Loss on disposal of drilling units .....	245	-	-
Share-based compensation expense .....	7	8	7
Loss on disposals and deconsolidations .....	-	-	63
Contingent consideration realized .....	(27)	(21)	(47)
Unrealized gain related to derivative financial instruments .....	(76)	(67)	(82)
Loss on impairment of long-lived assets .....	696	44	563
Loss on impairment of investments .....	841	895	1,285
Gain on derecognition of investment in associated company .....	(10)	-	-
Dividends received from associated companies .....	39	55	253
Deferred income tax .....	7	73	29
Unrealized foreign exchange gain on long-term debt .....	59	(5)	(95)
Gain on sale of tender rig business .....	-	-	(22)
Payments for long-term maintenance .....	(58)	(95)	(106)
Net gain on debt extinguishment .....	(19)	(47)	(8)
Non-cash reorganization items, net of financing activities ..	1,274	-	-
Other .....	(2)	(2)	(9)
<i>Changes in operating assets and liabilities, net effect of acquisitions and disposals</i>			
Trade accounts receivable .....	167	256	267
Trade accounts payable .....	(9)	(55)	58
Related party receivables .....	(42)	2	65
Related party payables .....	(44)	(35)	(64)
Prepaid expenses/accrued revenue .....	(66)	15	(12)
Deferred revenue .....	(107)	(168)	(95)
Other assets .....	93	55	(22)
Other liabilities .....	(75)	(76)	(115)
<b>Net cash provided by operating activities</b> .....	<b>399</b>	<b>1,184</b>	<b>1,788</b>

<b>Cash flows from Investing Activities</b>			
Additions to newbuildings .....	(33)	(52)	(613)
Additions to drilling units and equipment .....	(59)	(84)	(322)
Refund of yard installments .....	25	53	29
Contingent consideration received .....	95	95	27
Settlement of West Mira .....	170	-	-
Sale of rigs and equipment .....	122	-	-
Buy out of guarantee .....	(28)	-	-
Sale of business, net of cash disposed .....	-	-	1,214
Change in restricted cash .....	(29)	(26)	(25)
Investment in associated companies .....	-	(16)	(210)
Loans granted to related parties .....	-	(120)	(523)
Payments received from loans granted to related parties ..	66	283	233
Proceeds from disposal of marketable securities .....	-	195	-
<b>Net cash provided by/ (used in) investing activities</b>	<b>329</b>	<b>328</b>	<b>(190)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from debt .....	-	-	1,516
Repayments of debt .....	(754)	(1,054)	(2,999)
Debt fees paid .....	(53)	(31)	(16)
Proceeds from debt to related party .....	-	-	143
Repayments of debt to related party .....	(39)	(103)	-
Dividends paid to non-controlling interests .....	-	(7)	(14)
Purchase of treasury shares .....	-	(10)	-
Cash settlement of restricted stock units .....	-	(1)	-
<b>Net cash used in financing activities</b>	<b>(846)</b>	<b>(1,206)</b>	<b>(1,370)</b>
Cash reclassified as held for sale .....	-	-	-
Effect of exchange rate changes on cash and cash equivalents .....	5	18	(15)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(113)</b>	<b>324</b>	<b>213</b>
Cash and cash equivalents at beginning of the year .....	1,368	1,044	831
<b>Cash and cash equivalents at the end of year</b>	<b>1,255</b>	<b>1,368</b>	<b>1,044</b>
<b>Supplementary disclosure of cash flow information</b>			
Interest paid, net of capitalized interest .....	(119)	(123)	(136)
Taxes paid .....			
<b>B.8 Selected key pro forma financial information</b>	<p>After completion of the Chapter 11 Proceedings (as defined below), the Company became the ultimate parent holding company of the Group, making it the successor of Old Seadrill. The Reorganization, which resulted in a change in the parent holding company, was accounted for as a merger between entities under common control; accordingly, the historical consolidated financial statements of Seadrill for the periods prior to the Reorganization are considered to be the historical consolidated financial statements of the new parent entity. The Company will continue to prepare the Group's consolidated financial statements in accordance with U.S. GAAP, and expects to adopt fresh-start accounting principles under U.S. GAAP from and including the Effective Date (as defined below). Fresh-start accounting anticipates the creation of a new entity (such entity the successor (being Seadrill)) for financial reporting purposes, and necessitates two significant accounting events (i) that the company emerging from bankruptcy records the effects of the reorganization plan (being the Plan) and (ii) when qualifying for fresh-start reporting balance sheet items are adjusted to fair values to denote a <i>fresh-start</i> upon emergence from bankruptcy. The fair values are derived from the distributable value approved by the Bankruptcy Court under the Plan. When applying fresh-start accounting, the results of operations for periods prior to emergence from bankruptcy and the application of</p>		



fresh-start accounting should not be combined with the results of operations for the period after the application of fresh-start reporting. The Pro Forma Financial Statements materially give effect to the application of "fresh-start" accounting and reporting in accordance with U.S. GAAP, ASC 852—Reorganizations, which is to reflect the financial statements of Seadrill on a fair value basis as of the Effective Date. The pro forma adjustments are based on an assumed fair value of approximately USD 11.0 billion, which is the midpoint of a range of estimated distributable values of USD 10.2 billion and USD 11.8 billion as of 30 June 2018, as approved by the Bankruptcy Court.

The pro forma financial information included in this Prospectus includes (i) unaudited pro forma condensed consolidated statements of operation for the year ended 31 December 2017 and (ii) unaudited pro forma condensed consolidated balance sheet at 31 December 2017 (the Pro Forma Financial Statements). The Pro Forma Financial Statements gives effect to the Reorganization as if it had occurred on 1 January 2017 with regard to the statement of operations and 31 December 2017 with regard to the balance sheet. The Pro Forma Financial Statements have been prepared in accordance with Article 11 of Regulation S-X pursuant to the U.S. Securities Exchange Act and are in accordance to the requirements for pro forma financial information to be provided pursuant to the EU Prospectus Directive.

The Pro Forma Financial Statements are presented to show Reorganization adjustments which are accounting adjustments related to the implementation of the Plan separately from fresh-start adjustments which are accounting adjustments to reflect the revaluation to fair value in line with the distributable value approved by the Bankruptcy Court. This presentation is consistent with the presentation of the adjustments at the Effective Date that will be required in the Company's consolidated financial statements for the year ended 31 December 2018.

The Pro Forma Financial Statements have been prepared for illustrative purposes only. Because of its nature, the Pro Forma Financial Statements address a hypothetical situation and, therefore, do not represent the Group's actual financial position or results. The Pro Forma Financial Statements are based on certain management assumptions and adjustments made to illustrate what the financial results of the Group might have been had the Reorganization occurred at an earlier point in time.

The Pro Forma Financial Statements should be read in conjunction with Section 12 "Operating and financial review" and the Financial Statements.

#### Unaudited pro forma condensed consolidated statement of operations

*(In USD millions (except per unit data))*

	<b>Predecessor Historical</b>	<b>Reorganization Adjustments</b>	<b>Fresh-Start Adjustments</b>	<b>Successor Pro Forma</b>
<b>Operating revenues</b>				
Contract revenues .....	1,888	-	-	1,888
Reimbursable revenues .....	38	-	-	38
Other revenues .....	162	-	(43)	119
<b>Total operating revenues .....</b>	<b>2,088</b>	<b>-</b>	<b>(43)</b>	<b>2,045</b>

<b>Loss on disposals</b> .....	<b>(245)</b>	-	-	<b>(245)</b>
<b>Contingent considerations</b> .....	<b>27</b>	-	-	<b>27</b>
<b>Operating expenses</b>				
Vessel and rig operating expenses .....	792	-	-	792
Reimbursable expenses .....	35	-	-	35
Depreciation and amortization .....	798	-	(512)	286
Loss on impairment of long lived assets .....	696	(696)	-	-
General and administrative expenses .....	277	(86)	-	191
<b>Total operating expenses</b> .....	<b>2,598</b>	<b>(782)</b>	<b>(512)</b>	<b>1,304</b>
<b>Operating (loss)/income</b> .....	<b>(728)</b>	<b>782</b>	<b>469</b>	<b>523</b>
<b>Financial items and other income and expense</b>				
Interest income .....	60	-	-	60
Interest expense .....	(285)	(191)	-	(476)
Shares in results from associated companies (net of tax) .....	174	-	-	174
Loss on impairment of investments .....	(841)	-	-	(841)
Gain/(loss) on derivative financial instruments .....	11	-	-	11
Net gain on debt extinguishment .....	19	-	-	19
Foreign exchange gain .....	(65)	-	-	(65)
Gain on sale of tender rig business .....	-	-	-	-
Reorganization items, net .....	(1,337)	1,337	-	-
Other financial items and other income and expenses, net .....	(44)	52	-	8
<b>Total financial items and other income and expense, net</b> .....	<b>(2,308)</b>	<b>1,198</b>	-	<b>(1,110)</b>
<b>(Loss)/Income before income taxes</b> .....	<b>(3,036)</b>	<b>1,980</b>	<b>469</b>	<b>(587)</b>
Income tax expense .....	(66)	-	-	(66)
<b>Net income/(loss)</b> .....	<b>(3,102)</b>	<b>1,980</b>	<b>469</b>	<b>(653)</b>
<b>Net income (loss) attributable to non-controlling interests</b> .....	<b>(129)</b>	<b>155<sup>(n)</sup></b>	-	<b>26</b>
<b>Net income (loss) attributable to the parent</b> .....	<b>(2,973)</b>	<b>1,825</b>	<b>469</b>	<b>(679)</b>
<b>Basic (loss)/income per share (US dollar)</b> .....	<b>(5.89)</b>	-	-	<b>(8.26)</b>
<b>Diluted (loss)/income per share (US dollar)</b> .....	<b>(5.89)</b>	-	-	<b>(8.26)</b>
Weighted average common shares/units outstanding				
Basic .....	505	-	-	82
Diluted .....	505	-	-	82

<b>Unaudited pro forma condensed consolidated balance sheet</b>				
<i>(In USD millions)</i>				
	<b>Predecessor Historical</b>	<b>Reorganization Adjustments</b>	<b>Fresh-Start Adjustments</b>	<b>Successor Pro Forma</b>
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents .....	1,255	544	-	1,799
Restricted cash .....	104	228	-	332
Marketable securities .....	124	-	-	124
Accounts receivable, net .....	295	-	-	295
Amount due from related parties .....	217	-	-	217
Other current assets .....	257	-	(15)	242
<b>Total current assets .....</b>	<b>2,252</b>	<b>772</b>	<b>(15)</b>	<b>3,009</b>
Investment in associated companies .....	1,473	-	(159)	1,314
Newbuildings .....	248	-	(248)	-
Drilling units .....	13,216	-	(6,819)	6,397
Deferred tax assets .....	10	-	-	10
Equipment .....	29	-	-	29
Amount due from related party .....	547	-	-	547
Assets held for sale – non-current .....	126	-	-	126
Other non-current assets .....	81	-	(5)	76
<b>Total assets .....</b>	<b>17,982</b>	<b>772</b>	<b>(7,246)</b>	<b>11,508</b>
<b>Liabilities and Equity</b>				
<i>Current liabilities</i>				
Debt due within one year .....	509	(509)	-	-
Trade accounts payable .....	72	103	-	175
Amounts due to related parties .....	10	20	-	30
Other current liabilities .....	268	(23)	(60)	185
<b>Total current liabilities .....</b>	<b>859</b>	<b>(409)</b>	<b>(60)</b>	<b>390</b>
Liabilities subject to compromise .....	9,191	(9,191)	-	-
Long-term debt .....	485	6,799	(230)	7,054
Long-term debt due to related parties .....	314	-	-	314
Deferred tax liabilities .....	107	-	(54)	53
Other non-current liabilities .....	67	-	(18)	49
<b>Total liabilities .....</b>	<b>11,023</b>	<b>(2,801)</b>	<b>(362)</b>	<b>7,860</b>
<b>Equity</b>				
Predecessor common shares .....	1,008	(1,008)	-	-
Predecessor additional paid-in capital .....	3,313	(3,313)	-	-
Predecessor contributed surplus .....	1,956	(1,956)	-	-
Predecessor accumulated other comprehensive income .....	58	-	(58)	-
Predecessor retained earnings .....	225	9,952	(10,177)	-
Successor common shares .....	-	8	-	8
Successor contributed surplus .....	-	192	3,469	3,661
<b>Total shareholders' equity .....</b>	<b>6,560</b>	<b>3,875</b>	<b>(6,766)</b>	<b>3,669</b>
Non-controlling interest .....	399	(302)	(118)	(21)
<b>Total equity .....</b>	<b>6,959</b>	<b>3,573</b>	<b>(6,884)</b>	<b>3,648</b>
<b>Total liabilities and equity .....</b>	<b>17,982</b>	<b>772</b>	<b>(7,246)</b>	<b>11,508</b>
<b>B.9 Profit forecast or estimate</b>	Not applicable. The Prospectus does not include profit forecasts or estimates			
<b>B.10 Audit report qualifications</b>	Not applicable. There are no qualifications in the audit reports.			
<b>B.11 Insufficient working capital</b>	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.			

**Section C – Securities**

<b>C.1</b>	<b>Type and class of securities admitted to trading and identification number</b>	The Company has one class of shares in issue. All Shares have equal rights, as further set out in the Bye-Laws. The Shares have ISIN code BMG7998G1069.
<b>C.2</b>	<b>Currency of issue</b>	The Shares will be priced and traded in NOK on the Oslo Stock Exchange.
<b>C.3</b>	<b>Number of shares in issue and par value</b>	At the date of this Prospectus, the Company's authorized share capital is USD 11,111,111.10, consisting of 111,111,111 common shares each with a par value of USD 0.10, of which 100,000,000 common shares are currently in issue. The Board of Directors has reserved the remaining 11,111,111 common shares for issuance under the employee incentive plan in accordance with the Plan. All of the Company's issued and outstanding common shares are and will be fully paid. Subject to the Bye-Laws, the Board of Directors is authorized to issue any of the authorized but unissued common shares. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote in the Company's shares.
<b>C.4</b>	<b>Rights attaching to the securities</b>	The Company has one class of shares in issue. All Shares have equal rights, as further set out in the Bye-Laws.
<b>C.5</b>	<b>Restrictions on transfer</b>	<p>The Shares are freely negotiable and the Company's constitutional documents do not impose any transfer restriction on the Shares.</p> <p>The Bye-Laws provide that the Board of Directors may decline to register, and may require any registrar appointed by the Company to decline to register, a transfer of a Share or any interest therein held through the VPS if such transfer would result in 50% or more of the issued share capital (or of the votes attached to all issued shares in the Company) being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or connected to a Norwegian business activity, in order to avoid the Company being deemed a "Controlled Foreign Company" as such term is defined under the Norwegian tax rules.</p>
<b>C.6</b>	<b>Admission to trading</b>	<p>On 19 July 2018, the Company applied for a secondary admission to trading of the Shares on the Oslo Stock Exchange. Trading in the Shares on the Oslo Stock Exchange is expected to commence on or about 26 July 2018.</p> <p>Trading in the Shares on the NYSE commenced on 3 July 2018.</p>
<b>C.7</b>	<b>Dividend policy</b>	Pursuant to the Bye-Laws, the Board of Directors may declare cash dividends or distributions. The payment of any future dividends to the Shareholders will depend upon decisions that will be at the sole discretion of the Board of Directors and will depend on the then existing conditions, including the Group's operating results, financial condition, contractual restrictions, corporate law restrictions, capital requirements, the applicable laws of Bermuda and business prospects. Under Bermuda law, a company may not declare or pay dividends, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) it is, or would after the payment be,

	<p>unable to pay its liabilities as they become due; or (b) the realizable value of its assets would thereby be less than its liabilities.</p> <p>Although the Board of Directors may consider the payment of dividends following the Effective Date, there can be no assurance that the Company will pay any dividend, or if declared, the amount of such dividend. The terms of the Company's senior credit facilities and the agreements governing its subsidiary NSNCo (a company incorporated under the laws of Bermuda with registration number 53451, formed in connection with the Reorganization and the issuer of the New Secured Notes) indebtedness under the New Secured Notes may restrict the Company's ability to declare or pay dividends. Further, as the Company is a holding company with no material assets other than the shares of its subsidiaries through which it conducts its operations, its ability to pay dividends will also depend on the subsidiaries distributing their respective earnings and cash flow to the Company.</p>
--	---

#### Section D – Risks

<p><b>D.1</b>      <b>Key risks specific to the Company or its industry</b></p>	<p><i>Risks related to the Group and the industry in which it operates</i></p> <ul style="list-style-type: none"> <li>• The success and growth of the Group's business depends on the level of activity in the offshore oil and gas industry generally, and the drilling industry specifically, which are both highly competitive and cyclical, with intense price competition.</li> <li>• The current downturn in activity in the oil and gas drilling industry has had and is likely to continue to have an adverse impact on the Group's business and results of operations and any future economic downturn could have a material adverse effect on the Group's revenue, profitability and financial position.</li> <li>• The Group may not have sufficient liquidity to meet its obligations as they fall due or have the ability to raise new capital or refinance existing facilities on acceptable terms.</li> <li>• The covenants in the Group's credit facilities impose operating and financial restrictions on the Group, breach of which could result in a default under the terms of these agreements, which could accelerate repayment of funds that the Group has borrowed.</li> <li>• Financing agreements containing operating and financial restrictions and other covenants may restrict the Group's business and financing activities and the Group's ability to pay for the Group's newbuild drilling units.</li> <li>• The Group's customers may seek to cancel or renegotiate their contracts to include unfavorable terms such as unprofitable rates, particularly in the circumstance that operations are suspended or interrupted and the Group may not be able to renew or obtain favorable contracts for its newbuild drilling units or for its drilling units whose contracts have expired or been terminated.</li> </ul>
---	---

	<ul style="list-style-type: none"><li>• The Group's contract backlog for its fleet of drilling units may not be realized.</li><li>• The market value of the Group's current and newbuild drilling units it has commissioned may decrease.</li><li>• The Group's business and operations involve numerous operating hazards, and in the current market the Group is increasingly required to take additional contractual risk in its customer contracts and the Group may not be able to procure insurance to adequately cover potential losses.</li><li>• The Group relies on a small number of customers, and the Group's results of operations could be materially adversely affected if any of its major customers fail to compensate for the Group's services.</li><li>• The Group's drilling contracts contain fixed terms and day-rates, and consequently the Group may not fully recoup its costs in the event of a rise in expenses, including operating and maintenance costs and cost-overruns on its newbuild projects.</li><li>• Consolidation and governmental regulation of suppliers may increase the cost of obtaining supplies or restrict the Group's ability to obtain needed supplies.</li><li>• The Group may be unable to obtain, maintain, and/or renew permits necessary for its operations or experience delays in obtaining such permits including the class certifications of rigs.</li><li>• Compliance with, and breach of, the complex laws and regulations governing international trade and local laws in the countries in which the Group operates could be costly, expose the Group to liability and adversely affect its operations.</li><li>• The Group is subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business.</li><li>• Failure to comply with international anti-corruption legislation, including the U.S. Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act of 2010, could result in fines, criminal penalties, damage to the Group's reputation and drilling contract terminations.</li><li>• If the Group's drilling units are located in countries that are subject to, or targeted by, economic sanctions, export restrictions, or other operating restrictions imposed by the United States or other governments, the Group's reputation and the market for its debt and the Shares could be adversely affected.</li><li>• The Group has, and may continue, to suffer losses through its investments in other companies in the offshore drilling and oilfield services industry, which could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.</li></ul>
--	---

- Failure to obtain or retain highly skilled personnel, and to ensure they have the correct visas and permits to work in the locations in where such are required, could adversely affect the Group's operations.
- Labor costs and applicable operating restrictions could increase following collective bargaining negotiations and changes in labor laws and regulations.
- Interest rate or foreign exchange rate fluctuations could affect the Group's earnings and cash flow.
- A change in tax laws in any country in which the Group operates could result in higher tax expense and a loss of a major tax dispute or a successful tax challenge to the Group's operating structure, intercompany pricing policies or the Group's taxable presence of the Company's subsidiaries in certain countries could result in a higher tax rate on the Group's worldwide earnings, which could result in a significant negative impact on the Group's earnings and cash flows from operations.
- Acts of terrorism, piracy, cyber-attack, political and social unrest could affect the markets for drilling services, which may have a material adverse effect on the Group's results of operations.
- The Group may be subject to litigation, arbitration and other proceedings that could have an adverse effect on the Group.
- The Company is dependent on directors who are associated with affiliated companies, which may create conflicts of interest.
- The Group may be restricted from granting long-term contracts as a result of the Omnibus Agreement with Seadrill Partners.

*Risks related to the emergence from bankruptcy*

- Because the Group's future financial statements will reflect the Company's fresh-start accounting adjustments made upon emergence from bankruptcy, financial information in the Group's future financial statements will not be comparable to the Group's financial information from prior periods.
- The Company's final fresh-start accounting adjustments may vary significantly from the preliminary fresh-start accounting adjustments used to calculate the pro forma financial data that is included in Section 11 of this Prospectus.
- There can be no certainties that the Chapter 11 Proceedings will not adversely affect the Group's operations going forward.
- The Group may be subject to claims that were not discharged in the Chapter 11 Proceedings, which could have a material adverse effect on its results of operations and profitability.

Should any of the risks materialize, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value

		and trading price of the Shares, resulting in the loss of all or part of an investment in the Shares.
<b>D.3</b>	<b>Key risks specific to the securities</b>	<p><i>Risks related to the Shareholders and the Shares</i></p> <ul style="list-style-type: none"> <li>• The price of the Shares may be volatile or may decline regardless of the Group's operating performance and the market price of the shares has fluctuated widely in the past and may continue to fluctuate widely in the future, and investors may not be able to resell the Shares at or above their initial purchase price.</li> <li>• Sales of the Shares by existing shareholders, or the perception that these sales may occur, especially by Directors or significant shareholders, may cause the share price to decline.</li> <li>• The issuance of share-based awards may dilute investors' holding of the Shares.</li> <li>• The Company may pay little or no dividends on the Shares.</li> <li>• The U.S. tax authorities may treat the Company as a "passive foreign investment company" for U.S. federal income tax purposes, which may have adverse tax consequences for U.S. shareholders.</li> <li>• Certain shareholders of the Company have the right to appoint directors to the Board of Directors and their interests may not coincide with other investors' interests.</li> <li>• The Company's bye-laws limit shareholders' ability to bring legal action against its officers and directors and as the Company is a Bermuda company it may be difficult for investors to enforce judgments against the Company or Directors and executive officers.</li> <li>• Investors may not be able to exercise their voting rights for Shares registered in a nominee account</li> </ul> <p>Should any of the risks materialize, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value and trading price of the Shares, resulting in the loss of all or part of an investment in the Shares.</p>

#### Section E – Offer

<b>E.1</b>	<b>Net proceeds and estimated expenses</b>	Not applicable. There is no offer for shares.
<b>E.2a</b>	<b>Reasons for the Offering and use of proceeds</b>	Not applicable. There is no offer for shares.
<b>E.3</b>	<b>Terms and conditions of the Offering</b>	Not applicable. There is no offer for shares.



---

<b>E.4</b>	<b>Material and conflicting interests</b>	Not applicable. There is no offer for shares.
<b>E.5</b>	<b>Selling shareholders and lock-up agreements</b>	Not applicable. There is no offer for shares.
<b>E.6</b>	<b>Dilution resulting from the Offering</b>	Not applicable. There is no offer for shares.
<b>E.7</b>	<b>Estimated expenses charged to investor</b>	Not applicable. There is no offer for shares.

## 2 RISK FACTORS

*An investment in the Shares involves inherent risk. Before making an investment decision, investors should carefully consider the risk factors and all information contained in this Prospectus, including the Financial Statements and related notes and the Pro Forma Information and related notes. The risks and uncertainties described in this Section 2 are the principal known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Shares. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision in respect of the Shares. If any of the following risks were to materialize, individually or together with other circumstances, they could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Shares, resulting in the loss of all or part of an investment in the same.*

*The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialize individually or cumulatively. The information in this Section 2 is as of the date of this Prospectus.*

### 2.1 Risks relating to the Group and the industry in which it operates

**The success and growth of the Group's business depends on the level of activity in the offshore oil and gas industry generally, and the drilling industry specifically, which are both highly competitive and cyclical, with intense price competition.**

The Group's business depends on the level of oil and gas exploration, development and production in offshore areas worldwide that is influenced by oil and gas prices and market expectations of potential changes in these prices.

Oil and gas prices are extremely volatile and are affected by numerous factors beyond the Group's control, including, but not limited to, the following:

- worldwide production of, and demand for, oil and gas and geographical dislocations in supply and demand;
- the cost of exploring for, developing, producing and delivering oil and gas;
- expectations regarding future energy prices and production;
- advances in exploration, development and production technology;
- the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain levels of production pricing;
- the level of production in non-OPEC countries;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- government regulations, including restrictions on offshore transportation of oil and natural gas;
- local and international political, economic and weather conditions;
- domestic and foreign tax policies;
- the development and exploitation of alternative fuels and unconventional hydrocarbon production, including shale;
- worldwide economic and financial problems and the corresponding decline in the demand for oil and gas and, consequently, the Group's services;
- the policies of various governments regarding exploration and development of their oil and gas reserves, accidents, severe weather, natural disasters and other similar incidents relating to the oil and gas industry; and
- the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, Eastern Europe or other geographic areas or further acts of terrorism in the United States, Europe or elsewhere.

Declines in oil and gas prices for an extended period of time, or market expectations of potential decreases in these prices, have negatively affected and could continue to negatively affect the Group's future performance.

Continued periods of low demand can cause excess rig supply and intensify competition in the industry in which the Group operates, which often results in drilling rigs, particularly older and less technologically-advanced drilling rigs, being idle for long periods of time. The Company cannot predict the future level of demand for drilling rigs or future conditions of the oil and gas industry with any degree of certainty. In response to the decrease in the prices of oil and gas, a number of the Group's oil and gas company customers have announced significant decreases in budgeted expenditures for offshore drilling. Any future decrease in exploration, development or production expenditures by oil and gas companies could further reduce the Group's revenues and materially harm the Group's business.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, which could reduce demand for the Group's services and adversely affect the Group's business, including, but not limited to, the following:

- the availability and quality of competing offshore drilling units;
- the availability of debt and financing on reasonable terms;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;
- the level of rig operating costs, including crew and maintenance;
- the discovery of new oil and gas reserves;
- the political and military environment of oil and gas reserve jurisdictions; and
- regulatory restrictions on offshore drilling.

The offshore drilling industry is highly competitive and fragmented and includes several large companies that compete in many of the markets the Group serves, as well as numerous small companies that compete with the Group on a local basis. Offshore drilling contracts are generally awarded on a competitive bid basis or through privately negotiated transactions. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, rig location, the condition and integrity of equipment, the rig's and/or the drilling contractor's record of operating efficiency, including high operating uptime, technical specifications, safety performance record, crew experience, reputation, industry standing and customer relations. The Group's operations may be adversely affected if its current competitors or new market entrants introduce new drilling rigs with better features, performance, prices or other characteristics compared to the Group's drilling rigs, or expand into service areas where the Group operates.

Competitive pressures and other factors may result in significant price competition, particularly during industry downturns, which could have a material adverse effect on the Group's results of operations and financial condition.

**The current downturn in activity in the oil and gas drilling industry has had and is likely to continue to have an adverse impact on the Group's business and results of operations.**

The oil and gas drilling industry is cyclical and is in a prolonged downcycle. The price of Brent Crude has fallen from USD 115 per barrel in June 2014 to a low of USD 30 per barrel in January 2016. As at 31 March 2018, the price of Brent Crude was approximately USD 70 per barrel. The significant decrease in oil and natural gas prices is expected to continue to reduce many of the Group's customers' demand for its services in 2018, due to significant decreases in budgeted expenditures for offshore drilling.

Declines in capital spending levels, coupled with additional newbuild supply, are likely to continue to intensify price competition and put significant pressure on dayrates and utilization of the Group's rigs.

If the Group is unable to secure contracts for its drilling units upon the expiration of existing contracts, it may idle or stack the Group's units. When idled or stacked, drilling units do not earn revenues, but continue to require cash expenditures for crews, fuel, insurance, berthing and associated items. As of 31 March 2018, the Group had 18 idle units, either "warm stacked", which means the rig is kept operational and ready for redeployment, and maintains most of its crew, or "cold stacked", which means the rig is stored in a harbor, shipyard or a designated offshore area,

and the crew is reassigned to an active rig or dismissed. Without new drilling contracts or additional financing being available when needed or available only on unfavorable terms, the Group will be unable to meet its obligations as they come due or may be unable to enhance its existing business, complete additional drilling unit acquisitions or otherwise take advantage of business opportunities as they arise.

In the current environment, the Group's customers may also seek to cancel or renegotiate contracts for various reasons, including adverse conditions, resulting in lower dayrates. The Group's inability to perform, or the inability of its customers to perform under the Group's or their own contractual obligations, may have a material adverse effect on the Group's financial position, results of operations and cash flows.

From time to time, the Group is approached by potential buyers for the outright purchase of some of its drilling units, businesses, or other fixed assets. The Group may determine that such a sale would be in its best interests and agree to sell certain drilling units or other assets. Such a sale could have an impact on short-term liquidity and net income. The Group may recognize a gain or loss on disposal depending on whether the fair value of the consideration received is higher or lower than the carrying value of the asset.

The Company does not know when the market for offshore drilling units may recover, or the nature or extent of any future recovery. There can be no assurance that the current demand for drilling rigs will not further decline in future periods. The continued or future decline in demand for drilling rigs would adversely affect the Group's financial position, operating results and cash flows.

**The Group may not have sufficient liquidity to meet its obligations as they fall due or have the ability to raise new capital or refinance existing facilities on acceptable terms.**

As at 2 July 2018, the date of the Debtors' emergence from bankruptcy proceedings in accordance with the terms and conditions of the Plan (the "**Effective Date**"), the Group had USD 7,279 million in interest bearing debt, which was secured by, among other things, liens on the Group's drilling units and investments in affiliates. The Group's outstanding indebtedness and potential future indebtedness could affect its future operations, given that a portion of its cash flow from operations will be dedicated to the payment of interest and principal (noting that the debt service will comprise of interest only for the three years from the Effective Date as the Group's current lenders have agreed to an amortization holiday during this period), and will not be available for other purposes.

Covenants contained in the Group's debt agreements require the Group to meet certain financial tests and non-financial tests, which may affect its flexibility in planning for, and reacting to, changes in its business or economic conditions, may limit its ability to dispose of assets or place restrictions on the use of proceeds from such dispositions, withstand current or future economic or industry downturns, and compete with others in the industry for strategic opportunities, and may limit its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes.

The Group's ability to meet its debt service obligations and to fund planned expenditures, including construction costs for its newbuilding projects, will be dependent upon its future performance, which will be subject to prevailing economic conditions, industry cycles and financial, business, regulatory and other factors affecting its operations, many of which are beyond the Group's control. The Group's future cash flows may be insufficient to meet all its debt obligations and contractual commitments, and any insufficiency could negatively impact its business. To the extent that the Group is unable to repay its indebtedness as it becomes due or at maturity, the Group may need to refinance its debt, raise new debt, sell assets or repay the debt with the proceeds from equity offerings.

**The covenants in the Group's credit facilities impose operating and financial restrictions on the Group, breach of which could result in a default under the terms of these agreements, which could accelerate repayment of funds that the Group has borrowed.**

The Group's credit facility agreements impose operating and financial restrictions on the Group. These restrictions may prohibit or otherwise limit the Group's ability to undertake certain business activities without consent of the lending banks. These restrictions include:

- executing other financing arrangements;
- incurring additional indebtedness;
- creating or permitting liens on the Group's assets;

- selling the Group's drilling units or the shares of the Company's subsidiaries;
- making investments;
- changing the general nature of the Group's business;
- paying dividends to the Company's shareholders;
- changing the management and/or ownership of the drilling units; and
- making capital expenditures.

These restrictions may affect the Group's ability to compete effectively to the extent the Group's competitors are subject to less onerous restrictions.

The lenders' interests may be different from the Group's and the Group may not be able to obtain the requisite lenders' consent when it is deemed beneficial for its business, which may impact its performance.

Following emergence from Chapter 11 on the Effective Date, with exception of minimum liquidity requirements, the Group is exempt from financial covenants until Q1 2021. Thereafter, in addition to minimum liquidity requirements the Group is required to maintain and satisfy certain financial ratios and covenants, relating to net leverage and debt service coverage.

If the Group is unable to comply with these net leverage and debt service coverage covenants in its debt agreements between Q1 2021 and Q4 2021, this will lead to a margin increase of up to 100 bps PIK interest, however it does not constitute an event of default. Thereafter, if the Group is unable to comply with any of these restrictions and covenants, and the Group is unable to obtain a waiver or amendment from its lenders for such non-compliance, a default could occur under the terms of those agreements. If a default occurs under these agreements, lenders could terminate their commitments to lend or accelerate the outstanding loans and declare all amounts borrowed due and payable. All of the Group's external financing agreements contain cross-default or cross acceleration provisions, meaning that if the Group is in default under one of its financing agreements or it fails to pay an amount thereunder or the same is accelerated, amounts outstanding under its other financing agreements may also be in default, accelerated and become due and payable. The Group's drilling units and certain other assets also serve as security for its loan facilities. If the Group's lenders were to foreclose their liens on the Group's drilling units in the event of a default, the Group's ability to continue its operations might be impaired.

If any of the aforementioned events occur, the Group's assets may be insufficient to repay in full all of its outstanding indebtedness, and the Group may be unable to find alternative financing. Even if the Group could obtain alternative financing, that financing might not be on terms that the Group finds favorable or acceptable. Moreover, in connection with any further waivers of or amendments to its credit facilities that the Group may obtain, its lenders may impose additional operating and financial restrictions on the Group or modify the terms of its existing credit facilities. Any of these events may further restrict the Group's ability to pay dividends, repurchase its common shares, make capital expenditures or incur additional indebtedness.

**Financing agreements containing operating and financial restrictions and other covenants may restrict the Group's business and financing activities and the Group's ability to pay for the Group's newbuild drilling units.**

Borrowings under the Group's credit facilities, which are subject to certain covenants, and available cash on hand are not sufficient to pay the remaining installments related to the Group's contracted commitments of the newbuilding drilling units, which as at 31 March 2018 were in total USD 1.7 billion. If the Group is not able to borrow additional funds, raise other capital or utilize available cash on hand, it may not be able to acquire these drilling units.

If the Group fails to make a payment when due under the newbuilding contracts, which may result in a default under the newbuilding contracts, or otherwise fail to take delivery of the Group's newbuild units, the Group could be prevented from realizing potential revenues from these projects. The Group could also lose all or a portion of yard payments, which as at 31 March 2018 amounted to USD 0.2 billion, and the relevant members of the Group party to these newbuild contracts could be liable for penalties and damages under such contracts.

**Certain of the Company's affiliated or related companies may be unable to service their debt requirements and comply with the provisions contained in their loan agreements.**

The failure of certain of the Company's affiliated or related companies to service their debt requirements and comply with the provisions contained in their debt agreements may lead to an event of default under such agreements, which may have a material adverse effect on the Group. Such affiliated and related companies include (i), Asia Offshore Drilling Limited ("**AOD**"), (ii) certain subsidiaries of Ship Finance International Limited ("**Ship Finance**"), and (iii) certain subsidiaries of Seabras Sapura (as defined in Section 20 "Definitions and glossary").

If a default occurs under the debt agreements of certain of the Company's affiliated or related companies, the lenders could accelerate the outstanding borrowings and declare all amounts outstanding due and payable. In this case, if such entities are unable to obtain a waiver or an amendment to the applicable provisions of the debt agreements, or do not have enough cash on hand to repay the outstanding borrowings, the lenders may, among other things, foreclose their liens on the drilling units and other assets securing the loans, if applicable, or seek repayment of the loan from such entities.

The Group has provided guarantees in connection with debt facilities of its affiliates and related companies. In the event that the Company's affiliates or related companies are unable to meet their obligations outlined above, or in some circumstances specified obligations only, the lenders could look to the Group to meet such liabilities. Some examples are outlined in the following paragraphs.

The Group has provided guarantees over AOD's senior secured debt as it has in respect of the bank facilities of other members of the Group and may not have sufficient funds to repay lenders in full if they seek to enforce the guarantees.

The Company also provides financial guarantees over Seabras Sapura's senior secured credit facility agreements in order to part fund the acquisition of its pipe-laying support vessels. As a condition to the lenders making the loan available to each of the borrowers, the Company provides several guarantees on a 50:50 basis for five of the vessels and one vessel on a joint and several basis with Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad), in respect of the obligations of the borrowers during certain defined time periods, the release of such guarantees being subject to the satisfaction of certain defined conditions. The guarantees cover obligations and liabilities of the borrowers under the facility agreement which arise during the period between the expiry of a contract and extension or renewal of that contract and following a guarantee extension relating to early termination of a contract. During these periods, the guarantees can only be called if the facility is in default. The total amount guaranteed as of 31 December 2017 was USD 698 million. If Seabras Sapura is unable to meet its obligations under the aforementioned credit facilities, the lenders could look to the Company to meet such liabilities.

The Company also consolidates certain subsidiaries of Ship Finance into the financial statements as variable interest entities ("**VI**Es"). To the extent that the VIEs default under their indebtedness and their debt becomes classified as current in their financial statements, the Company would in turn mark such indebtedness as current in its consolidated financial statements. The characterization of the indebtedness in the Company's consolidated financial statements as current may adversely impact the Group's compliance with the covenants contained in its existing and future debt agreements.

The Group's debt agreements also contain cross-default provisions that may be triggered if the Group fails to comply with its obligations under the guarantees or support arrangements described above. Such cross-defaults could result in the acceleration of the maturity of the debt under the Group's agreements and the lenders may foreclose upon any collateral securing that debt, including the Group's drilling units and other assets, even if such default was subsequently cured. In the event of such acceleration and foreclosure, the Group will not have sufficient funds or other assets to satisfy all of its obligations.

The occurrence of any of the events described above would have a material adverse effect on the Group's business, and may impair its ability to continue as a going concern.

**The Group's customers may seek to cancel or renegotiate their contracts to include unfavorable terms such as unprofitable rates, particularly in the circumstance that operations are suspended or interrupted.**

In the current market conditions, some of the Group's customers may seek to terminate their agreements.

Some of the Group's customers have the right to terminate their drilling contracts without cause upon the payment of an early termination fee. The general principle is that such early termination fee shall compensate the Group for lost revenues less operating expenses for the remaining contract period; however, in some cases, such payments may not fully compensate for the loss of the drilling contract.

Under certain circumstances, the Group's contracts may permit customers to terminate contracts early without the payment of any termination fees, as a result of non-performance, periods of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events beyond the Group's control. In addition, national oil company customers may have special termination rights by law. During periods of challenging market conditions, the Group may be subject to an increased risk of its customers seeking to repudiate their contracts, including through claims of non-performance.

The Group's customers may seek to renegotiate its contracts using various techniques, including threatening breaches of contract and applying commercial pressure, resulting in lower dayrates or the cancellation of contracts with or without any applicable early termination payments.

Reduced day rates in the Group's customer contracts and cancellation of drilling contracts (with or without early termination payments) may lead to reduced revenues from its operations and performance of its business and adversely affect its performance.

**The Group's contract backlog for its fleet of drilling units may not be realized.**

As of 31 March 2018, the Group's contract backlog was approximately USD 2.4 billion. The contract backlog presented in the Group's Financial Statements (which are incorporated herein by reference, see Section 19.3 "Incorporation by reference" for more information) and other public disclosures is only an estimate. The actual amount of revenues earned and the actual periods during which revenues are earned will be different from the contract backlog projections due to various factors, including shipyard and maintenance projects, downtime and other events within or beyond the Group's control. In addition, the Group or its customers may seek to cancel or renegotiate contracts for various reasons, including adverse conditions, such as the current environment, resulting in lower dayrates. In some instances, there is an option for a customer to terminate a drilling contract prematurely for convenience on payment of an early termination fee. However, this fee may not adequately compensate the loss of this drilling contract. The Group's inability, or the inability of its customers, to perform under the Group's or their own contractual obligations may have a material adverse effect on the Group's financial position, results of operations and cash flows.

**The Group may not be able to renew or obtain new and favorable contracts for its newbuild drilling units or for its drilling units whose contracts have expired or been terminated.**

During the recent period of high utilization and high dayrates, which the Company believes ended in early 2014, industry participants ordered the construction of new drilling units, which resulted in an over-supply and caused, in conjunction with deteriorating industry conditions, a subsequent decline in utilization and dayrates when the new drilling units entered the market. A relatively large number of the drilling units under construction have not been contracted for future work, and a number of units in the existing worldwide fleet are off-contract.

As at 31 March 2018, the Group had ten contracts that expire in 2018, eight contracts that expire in 2019, two contracts that expire in 2020, and contracts that expire in each of 2021, 2027 and 2028. The Group's ability to renew these contracts or obtain new contracts will depend on its customers and prevailing market conditions, which may vary among different geographic regions and types of drilling units.

The over-supply of drilling units will be exacerbated by the entry of newbuild rigs into the market, many of which are without firm drilling contracts. The supply of available uncontracted units has intensified price competition as scheduled delivery dates occur and contracts terminate without renewal, reducing dayrates as the active fleet grows. Customers may opt to contract older rigs in order to reduce costs which could adversely affect the Group's ability to obtain new drilling contracts due to its newer fleet. Customers may also choose not to award drilling contracts to the Group due to its debt restructuring activities.

If the Group is unable to secure contracts for its drilling units, including for when newbuildings are delivered and upon the expiration of existing contracts, the Group may continue to idle or stack its units. When idled or stacked, drilling units do not earn revenues, but continue to require cash expenditures for crews, fuel, insurance, berthing and associated items. As at 31 March 2018, the Group had 18 units either "warm stacked", which means the rig is kept operational and ready for redeployment, and maintains most of its crew, or "cold stacked", which means the rig is stored in a harbor, shipyard or a designated offshore area, and the crew is reassigned to an active rig or dismissed.

If the Group is not able to obtain new contracts in direct continuation of existing contracts, or if new contracts are entered into at dayrates substantially below the existing dayrates or on terms otherwise less favorable compared to existing contract terms, the Group's revenues and profitability could be adversely affected. The Group may also be required to accept more risk in areas other than price to secure a contract, and may be unable to push this risk down to other contractors or be unable or unwilling at competitive prices to insure against this risk, which will mean the risk will have to be managed by applying other controls. This could lead to the Group being unable to meet its liabilities in the event of a catastrophic event on one of its rigs.

**The market value of the Group's current and newbuild drilling units it has commissioned may decrease.**

The market values of drilling units have been trending lower as a result of the recent continued decline in the price of oil, which has impacted the spending plans of the Group's customers. Upon emergence from the Chapter 11 Proceedings, the Group's assets, including current and newbuild drilling units, were recognized at fair value. However, if the offshore drilling industry suffers further adverse developments in the future, the fair market value of the Group's drilling units may decline further. The fair market value of the drilling units that the Group owns, or may acquire in the future, may increase or decrease depending on a number of factors, including:

- the general economic and market conditions affecting the offshore contract drilling industry, including competition from other offshore contract drilling companies;
- the types, sizes and ages of drilling units;
- the supply and demand for drilling units;
- the costs of newbuild drilling units;
- the prevailing level of drilling services contract dayrates;
- government or other regulations; and
- technological advances.

If drilling unit values fall significantly, the Group may have to record an impairment adjustment in the consolidated financial statements, which could adversely affect its financial results and condition. Additionally, if the Group sells one or more of its drilling units at a time when drilling unit prices have fallen and before the Group has recorded an impairment adjustment to the consolidated financial statements, the sale price may be less than the drilling unit's carrying value in the consolidated financial statements, resulting in a loss on disposal and a reduction in earnings and cause the Group to breach the covenants in its finance agreements.

**The Group's business and operations involve numerous operating hazards, and in the current market the Group is increasingly required to take additional contractual risk in its customer contracts and the Group may not be able to procure insurance to adequately cover potential losses.**

The Group's operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch-throughs, craterings, fires, explosions and pollution. Contract drilling and well servicing requires the use of heavy equipment and exposure to hazardous conditions, which may subject the Group to liability claims by employees, customers and third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations. The Group's offshore fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. The Group customarily provide contract indemnity to its customers for claims that could be asserted by the Group relating to damage to or loss of the Group's equipment,



including rigs and claims that could be asserted by the Group or its employees relating to personal injury or loss of life.

Damage to the environment could also result from the Group's operations, particularly through spillage of fuel, lubricants or other chemicals and substances used in drilling operations, or extensive uncontrolled fires. The Group may also be subject to property, environmental and other damage claims by oil and gas companies.

The Group's insurance policies and contractual rights to indemnity may not adequately cover losses, and the Group does not have insurance coverage or rights to indemnity for all risks. Consistent with standard industry practice, the Group's customers generally assume, and indemnify the Group against, well control and subsurface risks under dayrate contracts. These are risks associated with the loss of control of a well, such as blowout or cratering, the cost to regain control of or re-drill the well and associated pollution. However, there can be no assurances that these customers will be willing or financially able to indemnify the Group against all these risks. Customers may seek to cap indemnities or narrow the scope of their coverage, reducing the Group's level of contractual protection. In addition, a court may decide that certain indemnities in the Group's current or future contracts are not enforceable. Further, pollution and environmental risks generally are not totally insurable. If a significant accident or other event occurs that is not fully covered by the Group's insurance or an enforceable or recoverable indemnity from a customer, the occurrence could adversely affect the Group's performance.

The amount recoverable under insurance may also be less than the related impact on enterprise value after a loss or not cover all potential consequences of an incident and include annual aggregate policy limits. As a result, the Group retain the risk through self-insurance for any losses in excess of these limits. Any such lack of reimbursement may cause the Group to incur substantial costs.

The Group could decide to retain more risk through self-insurance in the future. This self-insurance results in a higher risk of losses, which could be material, which are not covered by third-party insurance contracts. Specifically, the Group has at times in the past elected to self-insure for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico due to the substantial costs associated with such coverage. Beginning on 1 April 2014, the Group has insured a limited part of this windstorm risk in a combined single limit annual aggregate policy. The Group elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a combined single limit of USD 100 million in the annual aggregate, which includes loss of hire. If the Group elects to self-insure such risks again in the future and such windstorms cause significant damage to any rig and equipment the Group has in the U.S. Gulf of Mexico, it could have a material adverse effect on the Group's financial position, results of operations or cash flows.

No assurance can be made that the Group will be able to maintain adequate insurance in the future at rates that the Group considers reasonable, or that the Group will be able to obtain insurance against certain risks.

**The Group relies on a small number of customers, and the Group's results of operations could be materially adversely affected if any of its major customers fail to compensate for the Group's services.**

The Group's contract drilling business is subject to the risks associated with having a limited number of customers for the Group's services. As at 31 March 2018, the Group's five largest customers accounted for approximately 90% of its future contracted revenues, or contract backlog. In addition, mergers among oil and gas exploration and production companies will further reduce the number of available customers, which would increase the ability of potential customers to achieve pricing terms favorable to them. The Group's results of operations could be materially adversely affected if any of its major customers fail to compensate for the Group's services or take actions outlined above.

The Group is subject to risks of loss resulting from non-payment or non-performance by customers and certain other third parties. Some of these customers and other parties may be highly leveraged and subject to their own operating and regulatory risks. If any key customers or other parties default on their obligations to the Group, the Group's financial results and condition could be adversely affected. Any material non-payment or non-performance by these entities, other key customers or certain other third parties could adversely affect the Group's financial position, results of operations and cash flows.

**The Group's drilling contracts contain fixed terms and day-rates, and consequently the Group may not fully recoup its costs in the event of a rise in expenses, including operating and maintenance costs and cost-overruns on its newbuild projects.**

The Group's operating costs are generally related to the number of units in operation and the cost level in each country or region where the units are located. A significant portion of the Group's operating costs may be fixed over the short term.

The majority of the Group's contracts have dayrates that are fixed over the contract term. In order to mitigate the effects of inflation on revenues from term contracts, most of the Group's long-term contracts include escalation provisions. These provisions allow the Group to adjust the dayrates based on stipulated cost increases, including wages, insurance and maintenance costs. However, actual cost increases may result from events or conditions that do not cause correlative changes to the applicable indices. Furthermore, certain indices are updated semiannually, and therefore may be outdated at the time of adjustment. The adjustments are typically performed on a semi-annual or annual basis. For these reasons, the timing and amount awarded as a result of such adjustments may differ from the Group's actual cost increases, which could adversely affect its financial performance. Some of the Group's long-term contracts contain rate adjustment provisions based on market dayrate fluctuations rather than cost increases. In such contracts, the dayrate could be adjusted lower during a period when costs of operation rise, which could adversely affect the Group's financial performance. Shorter-term contracts normally do not contain escalation provisions. In addition, the Group's contracts typically contain provisions for either fixed or dayrate compensation during mobilization. These rates may not fully cover the Group's costs of mobilization, and mobilization may be delayed, increasing the Group's costs, without additional compensation from the customer, for reasons beyond the Group's control.

In connection with new assignments, the Group might incur expenses relating to preparation for operations under a new contract. Expenses may vary based on the scope and length of such required preparations and the duration of the contractual period over which such expenditures are amortized.

As at 31 March 2018, the Group had an outstanding newbuilding order book with Dalian for an additional eight jack-ups with corresponding contractual yard and other payment commitments totaling USD 1.7 billion (see Section 12.5.2.4 "The Group's newbuilding program" and Section 12.5.6 "Future investments" for further information about the newbuildings). These construction projects are subject to risks of delay or cost overruns inherent in any large construction project from numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, the failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, the inability to obtain required permits or approvals, unanticipated cost increases between order and delivery, design or engineering changes, and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure, terrorist acts, war, piracy or civil unrest. Significant cost overruns or delays could adversely affect the Group's financial position, results of operations and cash flows. Additionally, failure to complete a project on time may result in the delay of revenue from that rig. New drilling rigs may also experience start-up difficulties following delivery or other unexpected operational problems that could result in uncompensated downtime, which also could adversely affect the Group's financial position, results of operations and cash flows or the cancellation or termination of drilling contracts.

Equipment maintenance costs fluctuate depending upon the type of activity that the unit is performing and the age and condition of the equipment. The Group's operating expenses and maintenance costs depend on a variety of factors, including crew costs, provisions, equipment, insurance, maintenance and repairs, and shipyard costs, many of which are beyond the Group's control.

In situations where the Group's drilling units incur idle time between assignments, the opportunity to reduce the size of the Group's crews on those drilling units is limited, as the crews will be engaged in preparing the unit for its next contract. When a unit faces longer idle periods, reductions in costs may not be immediate as some of the crew may be required to prepare drilling units for stacking and maintenance in the stacking period. Should units be idle for a longer period, the Group will seek to redeploy crew members who are not required to maintain the drilling unit to active rigs, to the extent possible. However, there can be no assurance that the Group will be successful in reducing its costs in such cases.

Operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues. Operating revenues may fluctuate as a function of changes in supply of offshore drilling units and demand for contract drilling services. This could adversely affect the Group's revenue from operations.

**Consolidation and governmental regulation of suppliers may increase the cost of obtaining supplies or restrict the Group's ability to obtain needed supplies.**

The Group relies on certain third parties to provide supplies and services necessary for its offshore drilling operations, including, but not limited to, drilling equipment suppliers, catering and machinery suppliers. Recent mergers have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. With respect to certain items, such as blow-out preventers or "BOPs" and drilling packages, the Group is dependent on the original equipment manufacturer for repair and replacement of the item or its spare parts. Such consolidation, combined with a high volume of drilling units under construction, may result in a shortage of supplies and services, thereby increasing the cost of supplies and/or potentially inhibiting the ability of suppliers to deliver on time. These cost increases or delays could have a material adverse effect on the Group's results of operations and result in rig downtime, and delays in the repair and maintenance of the Group's drilling rigs.

**The Group may be unable to obtain, maintain, and/or renew permits necessary for its operations or experience delays in obtaining such permits including the class certifications of rigs.**

The operation of the Group's drilling units will require certain governmental approvals, the number and prerequisites of which cannot be determined until the Group identifies the jurisdictions in which it will operate on securing contracts for the drilling units. Depending on the jurisdiction, these governmental approvals may involve public hearings and costly undertakings. The Group may not obtain such approvals or such approvals may not be obtained in a timely manner. If the Group fails to secure the necessary approvals or permits in a timely manner, its customers may have the right to terminate or seek to renegotiate their drilling contracts to the Group's detriment.

Every offshore drilling unit is a registered marine vessel and must be "classed" by a classification society to fly a flag. The classification society certifies that the drilling unit is "in-class", signifying that such drilling unit has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the drilling unit's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned. The Group's drilling units are certified as being "in class" by the American Bureau of Shipping (or ABS), Det Norske Veritas and Germanischer Lloyd (or DNV GL), and the relevant national authorities in the countries in which the Group's drilling units operate. If any drilling unit loses its flag, does not maintain its class and/or fails any periodical survey or special survey, the drilling unit will be unable to carry on operations and will be unemployable and uninsurable. Any such inability to carry on operations or be employed could have a material adverse impact on the Group's results of operations.

**The international nature of the Group's operations involves additional risks including foreign government intervention in relevant markets particularly in Brazil.**

The Group operates in various regions throughout the world. As a result of its international operations, the Group may be exposed to political and other uncertainties, particularly in less developed jurisdictions, including risks of:

- terrorist acts, armed hostilities, war and civil disturbances;
- acts of piracy, which have historically affected ocean-going vessels;
- significant governmental influence over many aspects of local economies;
- the seizure, nationalization or expropriation of property equipment;
- uncertainty of outcome in foreign court proceedings;
- the repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;

- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, and the imposition of trade barriers;
- U.S. and foreign sanctions or trade embargoes;
- compliance with various jurisdictional regulatory or financial requirements;
- compliance with and changes to taxation; and
- other forms of government regulation and economic conditions that are beyond the Group's control and government corruption.

In addition, international contract drilling operations are subject to various laws and regulations of the countries in which the Group operates, including laws and regulations relating to:

- the equipping and operation of drilling units;
- exchange rates or exchange controls;
- the repatriation of foreign earnings;
- oil and gas exploration and development;
- the taxation of offshore earnings and the earnings of expatriate personnel; and
- the use and compensation of local employees and suppliers by foreign contractors.

Some foreign governments favor or effectively require (i) the awarding of drilling contracts to local contractors or to drilling rigs owned by their own citizens, (ii) the use of a local agent or (iii) foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect the Group's ability to compete in those regions. It is difficult to predict what government regulations may be enacted in the future that could adversely affect the international drilling industry. The actions of foreign governments, including initiatives by OPEC, may adversely affect the Group's ability to compete and the Group's results of operations. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject the Group to criminal sanctions or civil remedies, including fines, the denial of export privileges, injunctions or seizures of assets.

In the years ended 31 December 2017, 2016 and 2015, 17%, 15% and 20%, respectively, of the Group's contract revenues were derived from its Brazilian operations, particularly from the contract with *Petróleo Brasileiro S.A. ("Petrobras")*. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, changes in legislation price controls, currency devaluations, capital controls and limits on imports. Further changes to monetary policy, the regulatory environment of the Group's industry, and legislation could impact the Group's performance.

The Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing Lava Jato investigation being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Certain of these companies are also facing investigations by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). Members of the Brazilian federal government and of the legislative branch, as well as senior officers of large state-owned companies, have faced allegations of political corruption, since they have allegedly accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas, and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties of the current federal government coalition that were unaccounted for or not publicly disclosed and served to personally enrich the recipients of the bribery scheme. Individuals who have had commercial arrangements with the Group have been identified in the Lava Jato investigation and the investigations by the Brazilian authorities are ongoing. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. The Company cannot predict whether such allegations will lead to further

political and economic instability or whether new allegations against government officials will arise in the future. In addition, the Company cannot predict the outcome of any such allegations on the Brazilian economy, and the Lava Jato investigation could adversely affect the Group's business and operations.

These and other developments in Brazil's political conditions, economy and government policies may, directly or indirectly, adversely affect the Group's business and results of operations.

**Compliance with, and breach of, the complex laws and regulations governing international trade could be costly, expose the Group to liability and adversely affect its operations.**

The Group's business in the offshore drilling industry is affected by laws and regulations relating to the energy industry and the environment in the geographic areas where the Group operates. Accordingly, the Group is directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail exploration and development drilling for oil and gas. For example, on 20 December 2016, the United States President invoked a law that banned offshore oil and gas drilling in large areas of the Arctic and the Atlantic Seaboard. It is unclear how long this ban will remain in effect. A ban on new drilling in Canadian Arctic waters was announced simultaneously. The Group may be required to make significant capital expenditures or operational changes to comply with governmental laws and regulations. It is also possible that these laws and regulations may, in the future, add significantly to the Group's operating costs or significantly limit drilling activity.

Import activities are governed by unique customs laws and regulations in each of the countries of operation. Moreover, many countries, including the United States, control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations.

The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting the Group's operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside the Group's control and some of which may result from the failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime. Any failure to comply with applicable legal and regulatory trading obligations could also result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, the seizure of shipments, and the loss of import and export privileges.

Offshore drilling in certain areas, including arctic areas, has been curtailed and, in certain cases, prohibited because of concerns over protecting of the environment. New laws or other governmental actions that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or to the offshore drilling industry, in particular, could adversely affect the Group's performance.

The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas could have a material adverse effect on the Group's business, results of operations or financial condition. The Group's future earnings may be negatively affected by compliance with any such new legislation or regulations.

**The Group is subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business.**

The Group's operations are subject to numerous international, national, state and local laws and regulations, treaties and conventions in force in the jurisdictions in which the Group's drilling units operate or are registered, which can significantly affect the ownership and operation of the Group's drilling units. These requirements include, but are not limited to:

- the United Nation's International Maritime Organization ("IMO");
- the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended ("MARPOL"), including the designation of Emission Control Areas ("ECAs");
- the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended ("CLC");

- the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "**Bunker Convention**"), the International Convention for the Safety of Life at Sea of 1974, as from time to time amended ("**SOLAS**");
- the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "**ISM Code**");
- the IMO International Convention on Load Lines in 1966, as from time to time amended, the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004 (the "**BWM Convention**");
- the Norwegian Regulations Relating to Health Safety and the Environment in the Petroleum Activities and at Certain Onshore Facilities 2017 ("**The Framework Regulations**");
- the Norwegian Regulations Relating to Management and the Duty to Provide Information in the Petroleum Activities and at Certain Onshore Facilities 2017 ("**The Management Regulations**");
- the Norwegian Regulations Relating to Design and Outfitting of Facilities, etc. in the Petroleum Activities 2017 ("**The Facilities Regulations**");
- EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations;
- the U.S. Oil Pollution Act of 1990 ("**OPA**");
- requirements of the U.S. Coast Guard ("**USCG**");
- the U.S. Environmental Protection Agency ("**EPA**");
- the U.S. Comprehensive Environmental Response;
- Compensation and Liability Act ("**CERCLA**");
- the U.S. Maritime Transportation Security Act of 2002 ("**MTSA**");
- the U.S. Outer Continental Shelf Lands Act, certain regulations of the EU, and Brazil's National Environmental Policy Law (6938/81); and
- Environmental Crimes Law (9605/98) and Federal Law (9966/2000) relating to pollution in Brazilian waters.

Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lifetime of the Group's drilling units. These costs could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations. Because such conventions, laws, and regulations are often revised, the Group cannot predict the ultimate cost of complying with them or the impact thereof on the resale prices or useful lives of the Group's rigs. Additional conventions, laws and regulations may be adopted which could limit the Group's ability to do business or increase the cost of doing business and which may materially adversely affect the Group's operations.

Environmental laws often impose strict liability for the remediation of spills and releases of oil and hazardous substances, which could subject the Group to liability without regard to whether the Group was negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. An oil or chemical spill, for which the Company is deemed a responsible party, could result in the Group incurring significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages, which could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows. Furthermore, the 2010 explosion of the Deepwater Horizon well and the subsequent release of oil into the Gulf of Mexico, or other similar events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, thus exposing the Group to further potential financial risk in the event of any such oil or chemical spill.

The Group is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although the Group has arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all

such risks or that any claims will not have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Although the Group's drilling units are separately owned by its subsidiaries, under certain circumstances a parent company and all of the unit-owning affiliates in a group under common control engaged in a joint venture could be held liable for damages or debts owed by one of the affiliates, including liabilities for oil spills under OPA or other environmental laws. Therefore, it is possible that the Company could be subject to liability upon a judgment against the Company or any one of its subsidiaries.

The Group's drilling units could cause the release of oil or hazardous substances. Any releases may be large in quantity, above the permitted limits in the drilling jurisdiction or occur in protected or sensitive areas where public interest groups or governmental authorities have special interests. Any releases of oil or hazardous substances could result in fines and other costs to the Group, such as costs to upgrade the Group's drilling rigs, to clean up the releases and comply with more stringent requirements in the Group's discharge permits. Moreover, these releases may result in customers or governmental authorities suspending or terminating the Group's operations in the affected area, which could have a material adverse effect on the Group's business, results of operations and financial condition.

If the Group is able to obtain from its customers some degree of contractual indemnification against pollution and environmental damages in its contracts, such indemnification may not be enforceable in all instances or the customer may not be financially able to comply with its indemnity obligations in all cases, and the Group may not be able to obtain such indemnification agreements in the future. In addition, a court may decide that certain indemnities in the Group's current or future contracts are not enforceable.

The Group's insurance coverage may not be available in the future, or the Group may not obtain certain insurance coverage. Even if insurance is available and the Group has obtained the coverage, it may not be adequate to cover its liabilities or the insurance underwriters may be unable to pay compensation if a significant claim should occur. Any of these scenarios could have a material adverse effect on the Group's business, results of operations and financial condition.

**Failure to comply with international anti-corruption legislation, including the U.S. Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act of 2010, could result in fines, criminal penalties, damage to the Group's reputation and drilling contract terminations.**

The Group operates, and has historically operated, its drilling units in a number of countries throughout the world, including some with developing economies. The Group therefore interact with government regulators, licensors, port authorities and other government entities and officials. Also, the Group's business interaction with national oil companies as well as state or government-owned shipbuilding enterprises and financing agencies puts it in contact with persons who may be considered to be "foreign officials" under the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA") and the Bribery Act 2010 of the United Kingdom ("U.K. Bribery Act").

In order to effectively compete in some foreign jurisdictions, the Group utilizes local agents and/or establish entities with local operators or strategic partners. All of these activities may involve interaction by its agents with government officials. Even though some of the Group's agents and partners may not themselves be subject to the FCPA, the U.K. Bribery Act or other anti-bribery laws to which the Company may be subject, if its agents or partners make improper payments to government officials or other persons in connection with engagements or partnerships with the Group, the Group could be investigated and potentially found liable for violations of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on the Group's business and results of operation.

The Group is subject to the risk that it or its affiliated companies or its or its affiliated companies' respective officers, directors, employees and agents may take actions determined to be in violation of anti-corruption laws, including the FCPA and the U.K. Bribery Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect the Group's business, results of operations or financial condition. In addition, actual or alleged violations could damage the Group's reputation and ability to do business. For instance, the Company's controlled subsidiary Sevan Drilling Ltd. ("**Sevan Drilling**" or "**Sevan**") has previously disclosed that its predecessor entity, Sevan Drilling ASA, has been accused of breaches of Norwegian law in respect of payments made in connection with the performance during 2012 to 2015 of drilling contracts originally awarded by Petrobras to subsidiaries of Sevan Marine ASA in the period between 2005 and 2008.

Furthermore, detecting, investigating and resolving actual or alleged violations is expensive and can consume significant time and attention of the Group's senior management.

**If the Group's drilling units are located in countries that are subject to, or targeted by, economic sanctions, export restrictions, or other operating restrictions imposed by the United States or other governments, the Group's reputation and the market for its debt and the Shares could be adversely affected.**

The United States and other governments may impose economic sanctions against certain countries, persons and other entities that restrict or prohibit transactions involving such countries, persons and entities. The United States' sanctions in particular are targeted against countries (such as Russia, Venezuela, Iran and others) that are heavily involved in the petroleum and petrochemical industries, which includes drilling activities. The United States' and other jurisdictions' economic sanctions change frequently and enforcement of economic sanctions worldwide is increasing.

In 2010, the United States enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ("**CISADA**"), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies such as the Company, and introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. On 10 August 2012, the United States signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "**Iran Threat Reduction Act**"), which places further restrictions on the ability of non-U.S. companies to do business or trade with Iran and Syria. Perhaps the most significant provision in the Iran Threat Reduction Act is that prohibitions in the existing Iran sanctions applicable to U.S. persons will now apply to any foreign entity owned or controlled by a U.S. person. The other major provision in the Iran Threat Reduction Act is that issuers of securities must disclose in their annual and quarterly reports filed with the United States Commission after 6 February 2013 if the issuer or "any affiliate" has "knowingly" engaged in certain sanctioned activities involving Iran during the timeframe covered by the report. At this time, the Company is not aware of any violation conducted by the Company or by any affiliate, which is likely to trigger such a disclosure requirement.

On 24 November 2013, the United States, United Kingdom, Germany, France, Russia and China (the "**P5+1**") entered into an interim agreement with Iran entitled the "Joint Plan of Action" ("**JPOA**"). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is only used for peaceful purposes, the United States and the member states of the European Union (the "**EU**") would voluntarily suspend certain sanctions for a period of six months. On 20 January 2014, the United States and the EU began implementing the temporary relief measures provided for under the JPOA.

The JPOA was subsequently extended twice. On 14 July 2015, the P5+1 and the EU announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program ("**JCPOA**"), to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of United States jurisdiction and not involving U.S. persons. On 16 January 2016, or the Implementation Day, the United States joined the EU and the U.N. in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency ("**IAEA**"), that Iran had satisfied its respective obligations under the JCPOA.

United States' sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated. Rather, the United States government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from the U.S. Office of Foreign Assets Control's ("**OFAC**") sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day", set to occur on 20 October 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities.

On 13 October 2017, the U.S. administration announced it would not certify Iran's compliance with the JCPOA. This did not withdraw the United States from the JCPOA or re-instate any sanctions. However, they have criticized the JCPOA and threatened to withdraw the United States from the JCPOA. Further, the U.S. administration must



periodically renew sanction waivers and refusal to do so could result in the reinstatement of certain sanctions suspended under the JCPOA.

The OFAC acted several times in 2017 to add Iranian individuals and entities to its list of Specially Designated Nationals whose assets are blocked and with whom U.S. persons are generally prohibited from dealing. Moreover, in August 2017, the United States passed the "Countering America's Adversaries Through Sanctions Act" (Public Law 115-44) ("**CAATSA**"), which authorizes imposition of new sanctions on Iran, Russia, and North Korea. The CAATSA sanctions with respect to Russia create heightened sanctions risks for companies operating in the oil and gas sector, including companies that are based outside of the United States. OFAC sanctions targeting Venezuela have likewise increased in the past year, and any new sanctions targeting Venezuela could further restrict the Group's ability to do business in this country.

In addition to the sanctions against Iran, subject to certain limited exceptions, U.S. law continues to restrict U.S. owned or controlled entities from doing business with Cuba and various U.S. sanctions have certain other extraterritorial effects that need to be considered by non-U.S. companies. Moreover, any U.S. persons who serve as officers, directors or employees of the Company's subsidiaries would be fully subject to U.S. sanctions. It should also be noted that other governments are more frequently implementing and enforcing sanctions regimes.

From time to time, the Group may enter into drilling contracts with countries or government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism where entering into such contracts would not violate U.S. law, or may enter into drilling contracts involving operations in countries or with government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism. However, this could negatively affect the Company's ability to obtain investors. In some cases, U.S. investors would be prohibited from investing in an arrangement in which the proceeds could directly or indirectly be transferred to or may benefit a sanctioned entity. Moreover, even in cases where the investment would not violate U.S. law, potential investors could view such drilling contracts negatively, which could adversely affect the Company's reputation and the market for its shares. The Company does not have any drilling contracts or plans to initiate any drilling contracts involving operations in countries or with government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism.

Certain parties with whom the Group has entered into contracts may be the subject of sanctions imposed by the United States, the EU or other international bodies as a result of the annexation of Crimea by Russia in March 2014 and the subsequent conflict in eastern Ukraine, or may be affiliated with persons or entities that are the subject of such sanctions. If the Group determines that such sanctions require it to terminate existing contracts or if the Group is found to be in violation of such applicable sanctions, the Group's results of operations may be adversely affected or the Group may suffer reputational harm. The Group may also lose business opportunities to companies that are not required to comply with these sanctions.

As stated above, the Company believes that the Group is in compliance with all applicable economic sanctions and embargo laws and regulations, and intend to maintain such compliance. However, there can be no assurance that the Group will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to amendments and changing interpretations. Rapid changes in the scope of global sanctions may also make it more difficult for the Group to remain in compliance. Any violation of applicable economic sanctions could result in civil or criminal penalties, fines, enforcement actions, legal costs, reputational damage, or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Shares. Additionally, some investors may decide to divest their interest, or not to invest, in the Shares simply because it may do business with companies that do business in sanctioned countries. Moreover, the Group's drilling contracts may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve the Group, or its drilling rigs, and those violations could in turn negatively affect the Group's reputation. Investor perception of the value of the Shares may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

**An economic downturn could have a material adverse effect on the Group's revenue, profitability and financial position.**

The Group depends on customers' willingness and ability to fund operating and capital expenditures to explore, develop and produce oil and gas, and to purchase drilling and related equipment. There has historically been a strong

link between the development of the world economy and the demand for energy, including oil and gas. The world economy is facing a number of challenges. Concerns persist regarding the debt burden of certain European countries and their ability to meet future financial obligations and the overall stability of the Euro. A renewed period of adverse development in the outlook for the financial stability of European countries, or market perceptions concerning these and related issues, could reduce the overall demand for oil and natural gas and for the Group's services and thereby could affect the Group's financial position, results of operations and cash available for distribution. In addition, turmoil and hostilities in the Ukraine, Korea, the Middle East, North Africa and other geographic areas and countries are adding to the overall risk picture.

Negative developments in worldwide financial and economic conditions could further cause the Company's ability to access the capital markets to be severely restricted at a time when the Company would like, or need, to access such markets, which could impact its ability to react to changing economic and business conditions. Worldwide economic conditions have in the past impacted, and could in the future impact, lenders' willingness to provide credit facilities to customers, causing them to fail to meet their obligations.

A portion of the credit under the Group's credit facilities is provided by European banking institutions. If economic conditions in Europe preclude or limit financing from these banking institutions, the Group may not be able to obtain financing from other institutions on terms that are acceptable to the Group, or at all, even if conditions outside Europe remain favorable for lending.

An extended period of adverse development in the outlook for the world economy could also reduce the overall demand for oil and gas and for the Group's services. Such changes could adversely affect the Group's results of operations and cash flows beyond what might be offset by the simultaneous impact of possibly higher oil and gas prices.

The Group's business is capital intensive and, to the extent the Group does not generate sufficient cash from operations, it may need to raise additional funds through public or private debt or equity offerings to fund its capital expenditures. The Group's ability to access the capital markets may be limited by the Company's financial condition at the time, by changes in laws and regulations or interpretations thereof and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond the Company's control.

Any reductions in drilling activity by the Group's customers may not be uniform across different geographic regions. Locations where costs of drilling and production are relatively higher, such as Arctic or deepwater locations, may be subject to greater reductions in activity. Such reductions in high cost regions may lead to the relocation of drilling units, concentrating drilling units in regions with relatively fewer reductions in activity leading to greater competition.

If the Group's lenders are not confident that the Group is able to employ its assets, it may be unable to secure additional financing on terms acceptable, or at all, for the remaining installment payments the Group is obligated to make before the delivery of its remaining newbuildings and its other capital requirements, including principal repayments.

**The Group has, and may continue, to suffer losses through its investments in other companies in the offshore drilling and oilfield services industry, which could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.**

The Group has investments in several other companies in the industry that own/operate offshore drilling rigs with similar characteristics to the Group's fleet of rigs or deliver various other oilfield services. These investments include equity interests in Seadrill Partners, SeaMex Limited ("**SeaMex**"), Archer and Seabras Sapura.

The market value of the Group's equity interest in these companies has been, and may continue to be, volatile and has fluctuated, and may continue to fluctuate, in response to changes in oil and gas prices and activity levels in the offshore oil and gas industry. If the Company decides to sell its equity interest in an investment at a time when the value of such investment has fallen, it may incur a loss on the sale or an impairment loss being recognized, ultimately leading to a reduction in earnings. Furthermore, dividends from Seadrill Partners may be reduced or cancelled going forward as they have been in the past. During the years ended 31 December 2017, 2016 and 2015, the Group recognized charges of USD 841 million, USD 895 million and USD 1,285 million, respectively, relating to certain investments due to declining dayrates and future market expectations for dayrates in the sector.

**The Group's ability to operate its drilling units in the U.S. Gulf of Mexico could be impaired by governmental regulation particularly in the aftermath of the moratorium on offshore drilling in the U.S. Gulf of Mexico, and new regulations adopted as a result of the investigation into the Macondo well blowout.**

In the aftermath of the incident (in which the Group was not involved) on the Transocean "Deepwater Horizon" rig that led to the Macondo well blowout, the U.S. Department of the Interior, U.S. Bureau of Safety and Environmental Enforcement ("BSEE") and its predecessor put in place new and revised regulations governing safety and environmental management systems or "SEMS", commonly referred to as "SEMS II". During 2013, BSEE adopted a final rule modifying the SEMS requirements. The SEMS II regulations focus on operator obligations. However, they also require operators to flow SEMS obligations and commitments through their supply chain including adherence to policies, training and ensuring safe work practices. The U.S. Occupational Safety and Health Act imposes additional recordkeeping obligations concerning occupational injuries and illnesses for Mobile Offshore Drilling Units ("MODUs"), attached to the outer continental shelf. Further, in order to obtain drilling permits, operators must submit applications that demonstrate compliance with the enhanced regulations, which require independent third-party inspections, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. Operators have previously had, and may in the future have, difficulties obtaining drilling permits in the U.S. Gulf of Mexico.

In addition, the oil and gas industry has adopted new equipment and operating standards, such as the American Petroleum Institute Standard 53 relating to the design, maintenance, installation and testing of well control equipment. Likewise, in August 2015, the U.S. Bureau of Ocean Energy Management ("BOEM") issued a Notice to Lessees (NTL 2015-NO4), regarding issues such as the general financial assurance required before drilling. In December 2015, the BSEE announced a new pilot inspection program for offshore facilities. In April 2015, it was announced that new regulations are expected to be implemented in the United States regarding offshore oil and gas drilling and the BSEE announced a new Well Control Rule in April 2016 (discussed further below). These new guidelines and standards for safety, environmental and financial assurance and any other new guidelines or standards the U.S. government or industry may issue or any other steps the U.S. government or industry may take, could disrupt or delay operations, increase the cost of operations, increase out-of-service time or reduce the area of operations for drilling rigs in U.S. and non-U.S. offshore areas.

The Company continues to evaluate these new measures to ensure that the Group's rigs and equipment are in full compliance, where applicable. As new standards and procedures are being integrated into the existing framework of offshore regulatory programs, the Company anticipates that there may be increased costs associated with regulatory compliance and delays in obtaining permits for other operations such as re-completions, workovers and abandonment activities. Additional requirements could be forthcoming based on further recommendations by regulatory agencies investigating the Macondo incident. The Company is not able to predict the likelihood, nature or extent of additional rulemaking or when the interim rules, or any future rules, could become final. The current and future regulatory environment in the U.S. Gulf of Mexico could impact the demand for drilling units in the U.S. Gulf of Mexico in terms of overall number of rigs in operations and the technical specification required for offshore rigs to operate in the U.S. Gulf of Mexico. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of operations, and escalating costs borne by the Group's customers, along with permitting delays, could reduce exploration and development activity in the U.S. Gulf of Mexico and, therefore, reduce demand for the Group's services. Insurance costs across the industry are expected to increase as a result of the Macondo incident and, in the future, certain insurance coverage is likely to become more costly, and may become less available or not available at all. The Company cannot predict the potential impact of new regulations that may be forthcoming, nor can the Company predict if implementation of additional regulations might subject the Group to increased costs of operating and/or a reduction in the area of operation in the U.S. Gulf of Mexico. As such, the Group's cash flow and financial position could be adversely affected if its ultra-deepwater semi-submersible drilling rigs and ultra-deepwater drillships operating in the U.S. Gulf of Mexico were subject to the risks mentioned above.

In addition, hurricanes have from time to time caused damage to a number of drilling units and production facilities unaffiliated to the Group in the Gulf of Mexico. The Bureau of Ocean Energy Management, Regulation and Enforcement ("BOEMRE") (formerly the Minerals Management Service of the U.S. Department of the Interior), effective 1 October 2011, reorganized into two new organizations: the BOEM and the BSEE, and issued guidelines for tie-downs on drilling units and permanent equipment and facilities attached to outer continental shelf production platforms, and moored drilling unit fitness. The BSEE subsequently issued additional guidelines requiring MODUs to

be outfitted with global positioning systems, or GPS, and to provide the BSEE with real-time GPS location data for MODUs effective 19 March 2013 which expired 1 January 2015. These guidelines effectively imposed new requirements on the offshore oil and natural gas industry in an attempt to increase the likelihood of the survival of offshore drilling units during a hurricane. The guidelines also provide for enhanced information and data requirements from oil and natural gas companies that operate properties in the U.S. Gulf of Mexico region of the outer continental shelf. Implementation of new guidelines or regulations that may apply to ultra-deepwater drilling units may subject the Group to increased costs and limit the operational capabilities of the Group's drilling units, although such risks should rest with the Group's customers, to the extent possible.

The Group does not have any jack-up rigs or moored drilling units operating in the U.S. Gulf of Mexico. However, the Group has one ultra-deepwater semi-submersible drilling rig and one ultra-deepwater drillship operating in the U.S. Gulf of Mexico, both of which are self-propelled and equipped with thrusters and other machinery, that enable the rigs to move between drilling locations and remain in position while drilling without the need for anchors.

**Failure to obtain or retain highly skilled personnel, and to ensure they have the correct visas and permits to work in the locations in where such are required, could adversely affect the Group's operations.**

The Group requires highly skilled personnel in the right locations to operate and provide technical services and support for its business. Competition for skilled and other labor required for the Group's drilling operations has increased in recent years as the number of rigs activated or added to worldwide fleets has increased, and this may continue to rise. Notwithstanding the general downturn in the drilling industry, in some regions, such as Brazil and Western Africa, the limited availability of qualified personnel in combination with local regulations focusing on crew composition, are expected to further increase the demand for qualified offshore drilling crews, which may increase the Group's costs. These factors could further create and intensify upward pressure on wages and make it more difficult for the Group to staff and service its rigs. Such developments could adversely affect the Group's financial results and cash flow. Furthermore, as a result of any increased competition for qualified personnel, or as a result of the Chapter 11 Proceedings (as defined in Section 5.1.1 "Introduction to the Reorganization"), the Group may experience a reduction in the experience level of its personnel, which could lead to higher downtime and more operating incidents.

The Group's ability to operate worldwide depends on its ability to obtain the necessary visas and work permits for its personnel to travel in and out of, and to work in, the jurisdictions in which the Group operates. Governmental actions in some of the jurisdictions in which the Group operates may make it difficult to move personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. If the Group is not able to obtain visas and work permits for the employees needed for operating its rigs on a timely basis, or for third-party technicians needed for maintenance or repairs, the Group might not be able to perform its obligations under its drilling contracts, which could allow its customers to cancel the contracts, and thus negatively affect the Group's results of operations.

**Labor costs and applicable operating restrictions could increase following collective bargaining negotiations and changes in labor laws and regulations.**

Some of the Group's employees are represented by collective bargaining agreements. The majority of these employees work in Brazil, Mexico, Nigeria, Norway and the United Kingdom. In addition, some of the Group's contracted labor works under collective bargaining agreements. As part of the legal obligations in some of these agreements, the Group is required to contribute certain amounts to retirement funds and pension plans and are restricted in its ability to dismiss employees. In addition, many of these represented individuals are working under agreements that are subject to salary negotiation. These negotiations could result in higher personnel costs, other increased costs or increased operating restrictions that could adversely affect the Group's financial performance.

**Interest rate fluctuations could affect the Group's earnings and cash flow.**

In order to finance its growth the Group has incurred significant amounts of debt. The majority of its debt arrangements have floating interest rates. If there are significant movements in interest rates, the Group's earnings and cash flow could be adversely affected. The Group has previously managed its exposure to interest rate fluctuations through interest rate swaps that effectively fixed a part of its floating rate debt obligations. These swaps were terminated on 13 September 2017 as a result of Old Seadrill entering into the Chapter 11 Proceedings. However,

on 11 May 2018, the Group entered into an agreement to hedge its interest rate risk, reference is made to Section 15.12 "Other financial instruments" for more information in this regard.

If the Group is unable to effectively manage its interest rate exposure through interest rate derivatives in the future, any increase in market interest rates would increase the Group's interest rate exposure and debt service obligations, which would exacerbate the risks associated with the Group's leveraged capital structure.

**Fluctuations in exchange rates and the non-convertibility of currencies could result in losses to the Group.**

As a result of the Group's international operations, it is exposed to fluctuations in foreign exchange rates due to revenues being received and operating expenses paid in currencies other than U.S. dollars. Accordingly, the Group may experience currency exchange losses if it has not adequately hedged its exposure to a foreign currency, or if revenues are received in currencies that are not readily convertible. The Group may also be unable to collect revenues because of a shortage of convertible currency available in the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

The Company uses the U.S. dollar as its functional currency because the majority of its revenues and expenses are denominated in U.S. dollars. Accordingly, the reporting currency is also U.S. dollars. The Group does, however, earn revenues and incur expenses in other currencies, such as Norwegian kroner, U.K. pounds sterling, Brazilian real, Nigerian Naira, and Angolan Kwanza and there is a risk that currency fluctuations could have an adverse effect on the Group's statements of operations and cash flows. In addition, Brexit, or similar events in other jurisdictions, can impact global markets, which may have an adverse impact on the Group's business and operations as a result of changes in currency, exchange rates, tariffs, treaties and other regulatory matters.

**A change in tax laws in any country in which the Group operates could result in higher tax expense.**

The Group conducts its operations through various subsidiaries in countries throughout the world. Tax laws, regulations and treaties are highly complex and subject to interpretation. Consequently, the Group is subject to changing tax laws, regulations and treaties in and between the countries in which the Group operates, including treaties between the United States and other nations. The Group's income tax expense is based upon its interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, regulations or treaties, including those in and involving the United States, or in the interpretation thereof, or in the valuation of the Group's deferred tax assets, which is beyond the Group's control, could result in a materially higher tax expense or a higher effective tax rate on the Group's worldwide earnings.

In addition, the United States in December 2017 enacted major tax reform legislation. This could lead to a material increase in the amount of overall U.S. tax liabilities of the Group if it reduces the tax deductions for certain payments its U.S. operating companies make to non-U.S. rig owners. The extent of the impact is still being analyzed especially given a number of subsequent regulations which may be issued and will need to be interpreted with advisers as necessary.

**A loss of a major tax dispute or a successful tax challenge to the Group's operating structure, intercompany pricing policies or the Group's taxable presence in certain countries could result in a higher tax rate on the Group's worldwide earnings, which could result in a significant negative impact on the Group's earnings and cash flows from operations.**

The Group's income tax returns are subject to review and examination. The Group does not recognize the benefit of income tax positions that it believes are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges the Group's operational structure, intercompany pricing policies or the taxable presence of the Company's subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to the Group's structure; or if the Group loses a material tax dispute in any country, its effective tax rate on its worldwide earnings could increase substantially and the Group's earnings and cash flows from operations could be materially adversely affected.

**Climate change and the regulation of greenhouse gases could have a negative impact on the Group's business.**

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. Emissions of greenhouse gases from

international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions or the Paris Agreement, which resulted from the 2015 United Nations Framework Convention on Climate Change conference in Paris and entered into force on 4 November 2016. As at 1 January 2013, all ships (including rigs and drillships) must comply with mandatory requirements adopted by the IMO's Maritime Environment Protection Committee ("**MEPC**"), in July 2011 relating to greenhouse gas emissions. A roadmap for a "comprehensive IMO strategy on a reduction of GHG emissions from ships" was also approved by MEPC at its 70th session in October 2016. These requirements could cause the Group to incur additional compliance costs.

In addition, the EU has indicated that it intends to propose an expansion of the existing EU Emissions Trading Scheme to include emissions of greenhouse gases from marine vessels. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tons) calling at EU ports from January 2018 collect and publish data on carbon dioxide emissions and other information. In the United States, the Environmental Protection Agency ("**EPA**"), has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from drilling units, such regulation of drilling units is foreseeable, and the EPA has received petitions from the California Attorney General and various environmental groups seeking such regulation. In the United States, individual states can also enact environmental regulations. For example, California has introduced caps for greenhouse gas emission and, in the end of 2016, signaled it might take additional actions regarding climate change.

Compliance with changes in laws, regulations and obligations relating to climate change could increase the Group's costs related to operating and maintaining its assets, and might also require the Group to install new emission controls, acquire allowances or pay taxes related to the Group's greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the United States or other countries in which the Group operates, or any treaty adopted at the international level to succeed the Kyoto Protocol, which restricts emissions of greenhouse gases, could require the Group to make significant financial expenditures which the Company cannot predict with certainty at this time.

Additionally, adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for the Group's services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for the use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on the Group's business, including capital expenditures to upgrade the Group's drilling rigs, which the Company cannot predict with certainty at this time.

**Acts of terrorism, piracy, cyber-attack, political and social unrest could affect the markets for drilling services, which may have a material adverse effect on the Group's results of operations.**

Acts of terrorism, piracy, and political and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as the Group. The Group's drilling operations could also be targeted by acts of sabotage carried out by environmental activist groups.

The Group relies on information technology systems and networks in its operations and administration of its business. The Group's drilling operations or other business operations could be targeted by individuals or groups seeking to sabotage or disrupt the Group's information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt the Group's operations, including the safety of its operations, or lead to an unauthorized release of information or alteration of information on the Group's systems. Any such attack or other breach of the Group's information technology systems could have a material adverse effect on its business and results of operations.

In addition, acts of terrorism and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services and result in lower dayrates. Insurance premiums could also increase and coverage may be unavailable in the future. Increased insurance costs or increased costs of compliance with applicable regulations may have a material adverse effect on the Group's results of operations.

**The Group may be subject to litigation, arbitration and other proceedings that could have an adverse effect on the Group.**

The Group is involved in various litigation matters, and the Company anticipates that it will be involved in litigation matters from time to time in the future. The operating hazards inherent in the Group's business expose the Group to litigation, including personal injury litigation, environmental litigation, contractual litigation with customers, intellectual property litigation, tax or securities litigation and maritime lawsuits, including the possible arrest of the Group's drilling units. The Company cannot predict with certainty the outcome or effect of any claim or other litigation matter, or a combination of these. If the Group is involved in any future litigation, or if its positions concerning current disputes are found to be incorrect, there may be an adverse effect on the Group's business, financial position, results of operations and available cash, because of potential negative outcomes, the costs associated with asserting the Group's claims or defending such lawsuits, and the diversion of management's attention to these matters.

The Group may also be subject to significant legal costs in defending these actions, which it may or may not be able to recoup depending on the results of such claim. For additional information on litigation matters that the Group is involved in, please see Section 8.9 "Litigation and disputes".

**There can be no guarantees that the use of the Group's drilling units will not infringe the intellectual property rights of others.**

The majority of the intellectual property rights relating to the Group's drilling units and related equipment are owned by the suppliers. In the event that one of the suppliers becomes involved in a dispute over an infringement of intellectual property rights relating to equipment owned by the Group, the Group may lose access to repair services or replacement parts, or could be required to cease using some equipment. In addition, competitors may assert claims for infringement of intellectual property rights related to certain equipment on the Group's drilling units and the Group may be required to stop using such equipment and/or pay damages and royalties for the use of such equipment. The consequences of these technology disputes involving the Group's suppliers or competitors could adversely affect the Group's financial results and operations. The Group has indemnity provisions in some of its supply contracts to provide some protection from the supplier against intellectual property lawsuits. However, the Company cannot make any assurances that its suppliers will have sufficient financial standing to honor their indemnity obligations, or guarantee that the indemnities will fully protect the Group from the adverse consequences of such technology disputes. The Group also has provisions in some client contracts to require the client to share some of these risks on a limited basis, but there can be no assurance that these provisions will fully protect the Group from the adverse consequences of such technology disputes. For information on certain intellectual property litigation that the Group is involved in, please see Section 8.9 "Litigation and disputes".

**The Company is dependent on directors who are associated with affiliated companies, which may create conflicts of interest.**

The principal shareholder of the Company is Hemen Holding Limited (and together with Hemen Investments Limited and any other holder of the Company's common shares that are either wholly-owned by a trust or directly or indirectly by John Fredriksen, "Hemen"). Many of the Company's directors also serve as directors of other companies affiliated with Hemen. The Company's directors owe fiduciary duties to both the Company and other related parties, and may have conflicts of interest in matters involving or affecting the Company and its customers. See Section 13.8 "Conflicts of interests etc." for more information.

**The Group may be restricted from granting long-term contracts as a result of the Omnibus Agreement with Seadrill Partners.**

The Omnibus Agreement (as described in Section 8.6.2 "Material contracts entered into outside the ordinary course of business"), entered into in connection with the initial public offering of common shares of Seadrill Partners may restrict the Group's ability to, among other things, acquire, own, operate or contract for certain drilling units operating under drilling contracts of five or more years, unless the Group offers to sell such drilling units to Seadrill Partners. These restrictions could harm the Group's business and adversely affect its financial position and results of operations and ability to implement its growth strategy.

**If the Company fails to comply with requirements relating to internal control over financial reporting its business could be harmed and the common stock price could decline.**

Rules adopted by the United States Securities and Exchange Commission pursuant to Section 404 of the United States Sarbanes-Oxley Act of 2002 require that the Company assesses its internal control over financial reporting

annually. The rules governing the standards that must be met for management to assess its internal control over financial reporting are complex. They require significant documentation, testing, and possible remediation of any significant deficiencies in and / or material weaknesses of internal controls in order to meet the detailed standards under these rules. Although the Company has evaluated its internal control over financial reporting as effective as of 31 December 2017, in future fiscal years, it may encounter unanticipated delays or problems in assessing its internal control over financial reporting as effective or in completing its assessments by the required dates. In addition, there can be no assurance that the Company's independent registered public accountants will attest that internal control over financial reporting is effective in future fiscal years.

If the Company is unable to maintain effective internal controls over financial reporting and disclosure controls, investors may lose confidence in its reported financial information, which could lead to a decline in the price of Shares, limit the Company's ability to access the capital markets in the future, and require the Company to incur additional costs to improve its internal control over financial reporting and disclosure control systems and procedures. Further, if lenders lose confidence in the reliability of the financial statements, it could have a material adverse effect on the Group's ability to fund its operations.

**Public health threats could have an adverse effect on the Group's operations and financial results.**

Public health threats, such as Ebola, influenza, SARS, the Zika virus, and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which the Group operates, could adversely impact its operations, and the operations of its customers. In addition, public health threats in any area, including areas where the Group does not operate, could disrupt international transportation. The Group's crews generally work on a rotation basis, with a substantial portion relying on international air transport for rotation. Any such disruptions could impact the cost of rotating crews, and possibly impact the Group's ability to maintain a full crew on all rigs at a given time. Any of these public health threats and related consequences could adversely affect the Group's financial results.

**Data protection and regulations related to privacy, data protection and information security could increase the Group's costs, and failure to comply could result in fines, sanctions or other penalties, which could materially and adversely affect the Group's results of operations, as well as have an impact on its reputation.**

The Group is subject to regulations related to privacy, data protection and information security in the jurisdictions in which the Group does business. As privacy, data protection and information security laws are interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

In recent years, there has been increasing regulatory enforcement and litigation activity in the areas of privacy, data protection and information security in the various countries in which the Group operates. In addition, legislators and/or regulators in the United States, the EU and other jurisdictions in which the Group operates are increasingly adopting or revising privacy, data protection and information security laws that could create compliance uncertainty and could increase the Group's costs or require the Group to change its business practices in a manner adverse to its business. For example, the EU and U.S. Privacy Shield framework was designed to allow for legal certainty regarding transfers of data. However, the agreement itself faces a number of legal challenges and is subject to annual review. This has resulted in some uncertainty and compliance obligations with regards to cross-border data transfers. Moreover, compliance with current or future privacy, data protection and information security laws could significantly impact the Group's current and planned privacy, data protection and information security related practices, its collection, use, sharing, retention and safeguarding of consumer and/or employee information, and some of its current or planned business activities. Failure to comply with privacy, data protection and information security laws could result in fines, sanctions or other penalties, which could materially and adversely affect the Group's results of operations and overall business, as well as have an impact on the Group's reputation. For example, the General Data Protection Regulations of the EU were enforceable in all 28 EU member states as of 25 May 2018 and requires the Group to undertake enhanced data protection safeguards, with fines for non-compliance up to 4% of global total annual worldwide turnover or EUR 20 million (whichever is higher), depending on the type and severity of the breach.



## 2.2 Risks related to emergence from Chapter 11 Proceedings

**Because the Group's future financial statements will reflect the Company's fresh-start accounting adjustments made upon emergence from bankruptcy, financial information in the Group's future financial statements will not be comparable to the Group's financial information from prior periods.**

As of the Effective Date, the Company expects to adopt fresh-start accounting in accordance with ASC 852—Reorganizations (“ASC 852”), pursuant to which its reorganization value, which represents the fair value of the entity before considering liabilities will be allocated to the fair value of assets in conformity with the purchase method of accounting for business combinations. The Company will state liabilities, other than deferred taxes, at a present value of amounts expected to be paid. Thus, its future balance sheets and results of operations will not be comparable in many respects to balance sheets and consolidated statements of operations data for periods prior to the adoption of fresh-start accounting. Investors will not be able to compare information reflecting the Group's post-emergence financial statements to information for periods prior to emergence from the Chapter 11 Proceedings without making adjustments for the fresh-start accounting from the Effective Date. The lack of comparable historical information may discourage investors from purchasing the Shares. Additionally, the financial information contained in this Prospectus may not be indicative of future financial information.

**The Company's final fresh-start accounting adjustments may vary significantly from the preliminary fresh-start accounting adjustments used to calculate the pro forma financial data that is included in Section 11 of this Prospectus.**

The Company has prepared the unaudited pro forma condensed consolidated financial data set forth in this prospectus to give effect to fresh-start accounting adjustments as of the Effective Date, as presented in Section 11 “Unaudited pro forma condensed consolidated financial statements”, which are based on the assumptions described in the footnotes to the pro forma financial information included in Section 11.4 “Notes to the unaudited pro forma condensed consolidated financial statements” to this Prospectus. These assumptions include initial fresh-start valuations made as of the Effective Date.

The actual valuations that support the fair value of the assets and liabilities could differ significantly from those used to prepare the unaudited pro forma condensed consolidated financial data included in this Prospectus, these differences will be reflected in the Group's future balance sheets and may affect amounts, including depreciation and amortization expense, which the Company recognizes in its consolidated statements of operations post-emergence. As such, the pro forma financial data contained in this prospectus may not accurately represent the actual post-emergence financial condition of the Company and any differences could be material.

**There can be no certainties that the Chapter 11 Proceedings will not adversely affect the Group's operations going forward.**

The Group operated under Chapter 11 Proceedings in the period from 12 September 2017 up to the Effective Date, and during that time it was required to make only limited payments on its pre-petition indebtedness and its pre-petition liabilities. There can be no assurances that the Group is able to negotiate favorable terms from suppliers, hedging counterparties and others and to attract and retain customers after the Effective Date, or that the requirement to make payments on its indebtedness or other liabilities on a current basis will not adversely affect its business going forward. The failure to obtain such favorable terms and retain customers and the requirement to make payments on the Group's debt and other liabilities could adversely affect its financial performance.

**The Group may be subject to claims that were not discharged in the Chapter 11 Proceedings, which could have a material adverse effect on its results of operations and profitability.**

Substantially all of the material claims against the Debtors that arose prior to the date of the Chapter 11 filing were addressed during the Chapter 11 Proceedings and were resolved in connection with the Plan and the order of the Bankruptcy Court confirming the Plan. In addition, the Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation and certain debts arising afterwards. Circumstances in which claims and other obligations that arose prior to the bankruptcy filing were not discharged primarily relate to certain actions by governmental units under police power authority, where the Company has agreed to preserve a claimant's claims, as well as, potentially, instances where a claimant had inadequate notice of the Chapter 11 filing. In addition, except in limited circumstances, claims against non-debtor subsidiaries are generally not subject to discharge under the Bankruptcy Code. To the extent any pre-filing liability remains, the ultimate resolution of such claims and other obligations may have a material adverse effect on the Group's results of operations, profitability and financial condition.

### 2.3 Risks relating to the Shareholders and the Shares

**The price of the Shares may be volatile or may decline regardless of the Group's operating performance, and investors may not be able to resell the Shares at or above their initial purchase price.**

The market price for the Shares may be volatile and may fluctuate significantly in response to a number of factors, most of which the Company cannot control, including, among others:

- announcements concerning the offshore drilling market, including changes in oil and gas prices and the state of the global economy on market outlook for the Group's various geographical operating sectors and classes of rigs;
- fluctuations in the market value of the Group's drilling units and the amount of debt the Group can incur under certain covenants in its current and future debt financing agreements;
- general and industry-specific economic conditions;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations;
- additions or departures of key members of the Company's management;
- any increased indebtedness the Group incurs in the future;
- speculation or reports by the press or investment community with respect to the Group or the industry in general;
- announcements by the Company or its competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- changes or proposed changes in laws or regulations affecting the oil and gas industry or enforcement of these laws and regulations, or announcements relating to these matters; and
- general market, political and economic conditions, including any such conditions and local conditions in the markets in which the Group operates.

These and other factors may lower the market price of the Shares, regardless of the Group's actual operating performance. In the event of a drop in the market price of the Shares, investors could lose a substantial part or all of its investment in the Shares. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Shareholders may initiate securities class action litigation following periods of market volatility. If the Group were to become involved in securities litigation, it could incur substantial costs and its resources and the attention of management could be diverted from the business, which could have a negative effect on its results of operations and thus the price for the Shares.

**The market price of the Shares has fluctuated widely in the past and may continue to fluctuate widely in the future.**

The market price of Old Seadrill's common shares on the New York Stock Exchange (the "NYSE") and the Oslo Stock Exchange has fluctuated widely in the past and the market price for the Shares may continue to do so as a result of many factors, such as actual or anticipated fluctuations in the Company's operating results, changes in financial estimates by securities analyst, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond the Company's control. If an active trading market for the Shares does not continue, the price of the Shares may be more volatile and it may be more difficult and time consuming to complete a transaction, which could have an adverse effect on the realized price of the Shares. In addition, an adverse development in the market price of the Shares could negatively affect the Company's ability to issue new equity to fund its activities.

**Sales of the Shares by existing shareholders, or the perception that these sales may occur, especially by Directors or significant shareholders, may cause the share price to decline.**

If the Company's shareholders as at the Effective Date, in particular its affiliates and significant shareholders, sell substantial amounts of the Shares to the public market, or are perceived by the public market as intending to sell substantial amounts of the Shares, the trading price of the Shares could decline. In addition, sales of Shares could impair the Company's ability to raise capital, should it wish to do so, which also may cause the share price to decline.

**The issuance of share-based awards may dilute investors' holding of the Shares.**

An aggregate of 11.1 million of the Shares are reserved for issuance for grant to employees of the Company or its subsidiaries pursuant to awards under the Company's employee incentive plan in accordance with the Plan. The exercise of equity awards, including any share options that the Company may grant in the future, could have an adverse effect on the market for the Shares, including the price that an investor could obtain for its Shares. Investors may experience dilution in the net tangible book value of their investment upon the exercise of any share options that may be granted or issued pursuant to the employee incentive plan in the future.

**Substantial sales of or trading in the Shares after the listing on the NYSE and the Listing could occur, which could cause the share price to be adversely affected.**

Immediately after the Effective Date, a limited number of holders hold a substantial portion of the Shares. Shares distributed in connection with the Plan may in general, after the listing on the NYSE and the listing on the Oslo Stock Exchange, be traded on the NYSE or the Oslo Stock Exchange if such Shares are freely tradable. Certain Shares will be freely tradable immediately following the Debtors' emergence from Chapter 11 Proceedings. A substantial portion of the Shares will be traded on the NYSE or the Oslo Stock Exchange following registration under U.S. securities laws pursuant to a registration rights agreement with certain investors. Some of the Company's creditors who received Shares in connection with the Plan may sell these shares for any number of reasons. The Company cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on their market price. Sales of substantial amounts of the Shares in the public market following the Effective Date, or the perception that such sales could occur, may adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares at a time and price that they deem appropriate. In addition, investment firms that are party to certain put and call agreements may hedge their positions by trading the Shares. The sale of significant amounts of the Shares, substantial trading in the Shares, hedging activities or the perception in the market that any of these activities will occur, may adversely affect the market price of the Shares.

**The Company may pay little or no dividends on the Shares.**

The payment of any future dividends to the Company's shareholders will depend on decisions that will be made by the Board of Directors and will depend on then existing conditions, including the Company's operating results, financial conditions, contractual restrictions, corporate law restrictions, capital agreements, the applicable laws of Bermuda and business prospects. The Company may pay little or no dividends for the foreseeable future.

In addition, since the Company is a parent holding company with no material assets other than the shares of its subsidiaries, through which the Company conducts its operations, its ability to pay dividends will depend on the subsidiaries distributing their earnings and cash flow to the Company. Further, Old Seadrill suspended the payments of dividends in November 2014, and did not pay any dividends in the period covered by the Financial Statements. The Company cannot predict when, or if, dividends will be paid in the future.

**The U.S. tax authorities may treat the Company as a "passive foreign investment company" for U.S. federal income tax purposes, which may have adverse tax consequences for U.S. shareholders.**

A foreign corporation will be treated as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes if either: (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income"; or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income". For purposes of these tests, "passive income" includes dividends, interest and gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For the purposes of these tests, income derived from the performance of services generally does not constitute "passive income". U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on the current and anticipated valuation of the Company's assets, including goodwill, and composition of its income and assets, the Company intends to take the position that it will not be treated as a PFIC for U.S. federal income tax purposes for its current taxable year and would not expect to be treated as a PFIC for the foreseeable future. The Company's position is based on valuations and projections regarding its assets and income. While the Company believes these valuations and projections to be accurate, such valuations and projections may not continue to be accurate. Moreover, as the Company has not sought a ruling from the United States Internal Revenue Service

(the "**IRS**") on this matter, the IRS or a court could disagree with the Company's position. In addition, although the Company intends to conduct its affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, the nature of its operations may change in the future, and if so, the Company may not be able to avoid PFIC status in the future.

If the IRS were to find that the Company is or have been a PFIC for any taxable year, then U.S. shareholders may face adverse U.S. federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986, as amended (the "**Revenue Code**"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of the Shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the common shares. In the event that the Company's shareholders face adverse U.S. federal income tax consequences as a result of investing in shares of the Shares, this could adversely affect the Company's ability to raise additional capital through the equity markets. Investors are encouraged to consult their own tax advisers concerning the overall tax consequences of the ownership of the Shares arising in an investor's particular situation under U.S. federal, state, local or foreign law.

**The Company is a Bermuda company and it may be difficult for investors to enforce judgments against the Company or Directors and executive officers.**

The Company is a Bermuda exempted company. As a result, the rights of holders of its common shares will be governed by Bermuda law and its memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Many of the Company's directors are not residents of the United States or Norway, and a substantial portion of the Company's assets are located outside the United States and Norway. As a result, it may be difficult for investors to effect service of process on those persons in the United States or Norway or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons based on the civil liability provisions of the U.S. securities laws or enforce in Norway judgements obtained in Norwegian courts against the Company or those persons based on the Norwegian Securities Trading Act or other applicable laws and regulations. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States and Norway, against the Company or any of its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against the Company or any of its directors or officers under the securities laws of other jurisdictions.

**Certain shareholders of the Company have the right to appoint directors to the Board of Directors and their interests may not coincide with other investors' interests.**

Provided that certain circumstances exist, certain shareholders of the Company are entitled to appoint directors to the Board of Directors pursuant to the Bye-Laws. In summary, Hemen is entitled to appoint four directors (including the Chairman) to the Board of Directors, two of which must be independent directors and unrelated to Hemen. Centerbridge and the Select Commitment Parties each has the right to appoint one independent director. The remaining director shall also be independent and appointed by mutual agreement of Hemen, Centerbridge and the Select Commitment Parties. Each independent director is required to satisfy the independence rules under the United States Securities Exchange Act of 1934 (the "**U.S. Securities Exchange Act**"), the NYSE and the Oslo Stock Exchange. As a result of these appointment rights, Hemen, Centerbridge and the Commitment Parties are able to influence the composition of the Board of Directors and Hemen may consequently have influence with respect to the Company's management, business plans and policies, including the appointment and removal of its officers. The interests of Hemen, Centerbridge and the Commitment Parties may not coincide with other investors' interests, and their director designees may make decisions other investors' disagree with. Please see Section 15.14.2.2 "Election and removal of Directors" for more information on the director appointment procedure.

**The Company's bye-laws limit shareholders' ability to bring legal action against its officers and directors.**

The Company's bye-laws contain a broad waiver by its shareholders of any claim or right of action, both individually and on behalf of the Company, against any of the Company's officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against the Company's officers and directors unless the act or failure to act involves fraud or dishonesty.

**Investors may not be able to exercise their voting rights for Shares registered in a nominee account**

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such Shares unless their ownership is re-registered in their names with the VPS prior to the general meetings. The Group can provide no assurances that beneficial owners of the Shares will receive the notice of a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners.

### 3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared by Seadrill Limited in connection with the Listing of the Shares on the Oslo Stock Exchange.

The Board of Directors of Seadrill Limited accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

25 July 2018

#### The Board of Directors of Seadrill Limited

---

*Birgitte R. Vartdal*  
(Director)

---

*Eugene I. Davis*  
(Director)

---

*Harald Thorstein*  
(Director)

---

*Kjell-Erik Østdahl*  
(Director)

---

*Peter J. Sharpe*  
(Director)

---

*Scott D. Vogel*  
(Director)

---

*John Fredriksen*  
(Chairman)

## 4 GENERAL INFORMATION

### 4.1 Other important investor information

The Company has furnished the information in this Prospectus. Neither the Company nor any of its affiliates, representatives or advisors are making any representation to any offeree or purchaser of Shares regarding the legality of an investment in the Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

**Investing in the Shares involves a high degree of risk. See Section 2 "Risk factors" beginning on page 20.**

### 4.2 The Reorganization

This Prospectus has been prepared in connection with the Listing of the Shares on the Oslo Stock Exchange, however as the Company first with effect from the Effective Date (as defined herein) has served as the ultimate parent holding company of the Group, certain information described herein relates to the period prior to the Effective Date when Old Seadrill (the Predecessor, and together with its consolidated subsidiaries prior to the Effective Date the Group), and not the Company, was the parent holding company of the Group. For more information in this respect, see Section 5 "The Chapter 11 Reorganization" and specifically for the financial information included herein, Section 4.3 "Presentation of financial and other information" below.

### 4.3 Presentation of financial and other information

#### 4.3.1 Financial information

##### **The financial information included herein**

The Company was incorporated on 14 March 2018 and has at the date of this Prospectus had no previous operations nor historical financial information. With effect from the Effective Date, the Company became the parent holding company of the Group which historically has had Old Seadrill as its parent holding company. The Group has, with Old Seadrill as its parent holding company, prepared audited consolidated financial statements for the years ended 31 December 2017, 2016 and 2015 in accordance with generally accepted accounting principles in the United States of America ("**U.S. GAAP**"), as further described below.

The Company is of the opinion that the inclusion of Old Seadrill's historical financial information will enable investors to make an informed assessment of the Company's financial information at the date of this Prospectus. It is the Company's opinion that its entire business undertaking at the date of this Prospectus is not fully represented in Old Seadrill's historical financial information. The need to implement fresh-start accounting post emergence from the Chapter 11 Proceedings also means that the Group's financial statements prior to and following the Effective Date are not directly comparable. Accordingly, this Prospectus also includes Pro Forma Financial Information, as further described below.

##### **Historical financial information**

###### *Old Seadrill's historical financial information*

The selected statement of operations and other financial data with respect to the fiscal years ended 31 December 2017, 2016 and 2015 contained in this Prospectus related to the Group have been derived from the Predecessor's audited consolidated financial statements as of and for the fiscal years ended 31 December 2017, 2016 and 2015 (the "**Financial Statements**"), prepared in accordance with U.S. GAAP. The amounts are presented in USD rounded to the nearest million, unless otherwise stated. The Financial Statements are included by reference to this Prospectus, see Section 19.3 "Incorporation by reference".

The Financial Statements present the financial position of Old Seadrill, its consolidated subsidiaries and its other consolidated entities. Investments in companies in which Old Seadrill controlled, or directly or indirectly held more than 50% of the voting control are consolidated in the Financial Statements, as well as certain variable interest entities of which Old Seadrill were deemed to be the primary beneficiary.

The Financial Statements have been audited by PricewaterhouseCoopers LLP (United Kingdom) ("**PwC**"), as set forth in their report thereon included therein. PwC has its registered business address at 1 Embankment Place, London, WC2N 6RH, United Kingdom. PwC is registered with the Public Company Accounting Oversight Board (United States)

("PCAOB"). PwC's audit of the Financial Statements has been conducted in accordance with the standards of PCAOB. PwC is also a member firm of the Institute of Chartered Accountants in England and Wales (ICAEW).

#### *Seadrill's historical financial information*

The Company was incorporated on 14 March 2018 and has prepared audited financial statements in accordance with U.S. GAAP for the interim period 14 March 2018 to 31 March 2018 ("**Seadrill's Interim Financial Statements**"), attached hereto as Appendix B. The Company has apart from Seadrill's Interim Financial Statements no historical financial information. Further, Seadrill's Interim Financial Statements do not include information on the Group, as the period covered by the interim financial period relates to the period prior to the Effective Date. Seadrill's Interim Financial Statements have been audited by PwC.

#### **Pro forma information**

To enable investors to further consider the financial information of the Group prior to and following the Effective Date, the Company deems the inclusion of the Pro Forma Financial Information (as defined below) to reflect how the Chapter 11 Proceedings (as defined herein) would have impacted the financial information of the Group had the Effective Date been on 1 January 2017 with regard to the statement of operations and on 31 December 2017 with regard to the balance sheet. The Pro Forma Financial Information has therefore been included for the purposes of being an informative supplement to investors, in order to enable them to make an informed assessment of the Company's financial position. Such inclusion of the Pro Forma Financial Information is made on a voluntary basis and not deemed required by the EU Prospectus Directive.

The Company intends to continue to prepare the Group's consolidated financial statements in accordance with U.S. GAAP, the same set of standards as was applicable for Old Seadrill. However, the Company expects to adopt fresh-start accounting principles under U.S. GAAP. Fresh-start accounting anticipates the creation of a new entity (such entity the successor (being Seadrill)) for financial reporting purposes, and necessitates two significant accounting events: (i) recording the effects of the reorganization plan and (ii) revaluation of assets, liabilities and equity at the Effective Date.

Under U.S. GAAP, a company emerging from bankruptcy must record the effects of its reorganization plan, and when also qualifying for fresh-start reporting balance sheet items are adjusted to fair values to denote a "fresh-start" upon emergence from bankruptcy. The fair values are derived from the reorganization value approved by the court in the reorganization plan. When applying fresh-start accounting, results of operations for periods prior to emergence from bankruptcy and the application of fresh-start accounting should not be combined with the results of operations for periods after the application of fresh-start reporting. Rather, the predecessor's (being Old Seadrill) financial statements reporting the emerging entity's operations prior to the date it emerges from bankruptcy are presented separately.

With reference to the above, the Company is of the opinion that the inclusion of pro forma financial information in the Prospectus will provide investors with an adequate picture of the effects of the Plan on its financial position, and the effects of the Plan on the statement of operations.

The Pro Forma Financial Information included in Section 11 "Unaudited pro forma condensed consolidated financial statements" includes (i) an unaudited pro forma condensed consolidated statement of operations and (ii) an unaudited pro forma condensed consolidated balance sheet, in each case for the year ended 31 December 2017 ((i) and (ii) are together referred to as the "**Pro Forma Financial Information**"). The Pro Forma Financial Information gives effect to the corporate reorganization as if it had occurred on 1 January 2017 with regard to the statement of operations and on 31 December 2017 with regard to the balance sheet. The Pro Forma Financial Information discloses how the adjustments included in the pro forma were derived, and has been compiled to illustrate the effects of the corporate reorganization under the Chapter 11 Proceedings.

The Pro Forma Financial Information was initially prepared to meet the pro forma requirements of the Securities and Exchange Commission in the U.S. (the "**SEC**") and is a requisite in the filing in the U.S. in connection with the Company's re-listing on the New York Stock Exchange ("**NYSE**") which is the primary listing venue of the Shares.

The Pro Forma Financial Information addresses how Seadrill's financial information on a pro forma basis differs from Old Seadrill's (historical) financial information included in Section 10 "Selected financial information", and which are incorporated by reference hereto (see Section 19.3 "Incorporation by reference").



The Pro Forma Financial Information has been prepared in accordance with Article 11 of Regulation S-X pursuant to the U.S. Securities Exchange Act and are in accordance to the requirements for pro forma financial information to be provided pursuant to the EU Prospectus Directive. The Pro Forma Financial Information has been prepared in connection with the registration statement within Form F-1 document for the Company's listing of common shares in the Company on the NYSE, and are in a form agreed with PwC, as the Company's auditor, who has reported on the Pro Forma Financial Information for the purposes of including these in this Prospectus. PwC's report on the Pro Forma Financial Information is attached to this Prospectus as Appendix C.

The reader of this Prospectus should note that the outcome of Old Seadrill's restructuring process is a restructuring of the capital structure of the balance sheet and not a change to the underlying operating business of Old Seadrill, it is therefore most relevant to investors to understand the transactions taking place to change the capital structure of the Group from Old Seadrill (the predecessor) to Seadrill (the successor).

U.S. GAAP reinforces this approach under ASC 852, where the disclosures required in the financial statements are focused on showing the reconciliation of the balance sheet from the predecessor group to the successor group at the point of emergence. As the Company will continue to report in accordance with U.S. GAAP, the preparation of the Pro Forma Financial Information is consistent with the Company's accounting policies going forward.

The insertion of Seadrill as the parent holding company of the Group, was a mechanism to complete the Chapter 11 Proceedings and manage the change in capital structure and ownership. This was not intended to be a change to the operating business from the business of Old Seadrill. The change in the parent holding company is a common control transaction under U.S. GAAP and has no accounting consequences to the financial reporting. The Company therefore believe the most relevant pro forma information is to show the implications of the transaction to the Group's financial statements, as this is also consistent with how the transaction will be reflected in the Company's 2018 20-F under U.S. GAAP.

The basis for the adjustments included for the pro forma are the overall business values approved by the court and parties to the restructuring during the Chapter 11 Proceedings (these are included in the disclosure statement filed in the U.S. Court in December 2017 and were prepared by Houlihan Lokey as part of a going concern valuation of the Group, and are attached hereto as [Appendix D](#) and [Appendix E](#), respectively.).

Under U.S. GAAP fresh-start accounting rules, final asset and liability valuations are completed at the date of emergence from Chapter 11, the date of transition from the predecessor to successor from a U.S. GAAP standpoint. The emergence valuations for U.S. GAAP reporting are prepared using a mix of techniques as required to determine fair value under U.S. GAAP, depending on the asset or liability being valued (including the market approach where values are publicly available, discounted cash flow valuations where applicable and other models for more complex instruments). These valuations will form the basis of asset and liability values included in the 31 December 2018 balance sheet that will be subject to audit by PwC.

### ***Financial reporting going forward***

In the first annual report following emergence from the Chapter 11 Proceedings, the Company anticipates to present (i) the period from 1 January 2018 to the Effective date separately on the face of the statement of operations as a predecessor period, with annual comparatives from the previously filed annual reports and (ii) a separate period from the Effective Date to year-end (31 December 2018), being the first period of financial statements of Seadrill, as the ultimate parent holding company. The financial statements with Old Seadrill as the previous ultimate parent holding company will not be directly comparable to the financial statements with Seadrill as the ultimate parent holding company due to the effects of the corporate reorganization, fresh-start accounting and any other U.S. GAAP policy changes Seadrill may undertake. The external audit opinion with respect to the annual report will also separately scope the opinion in respect of the financial statements where Old Seadrill is the ultimate parent holding company and that of Seadrill.

Any adjustments resulting from the adoption of fresh-start reporting, including adjustments to assets and liabilities due to the assignment of reorganization value and the effects of forgiveness of debt, will be reflected in the final statement of operations of the predecessor entity, being Old Seadrill. Seadrill's financial statement of operations will reflect the operations of the reorganized Group after the date emerged from Chapter 11 Proceedings and will apply fresh-start accounting.

A bridge will be presented as a disclosure note in Seadrill's financial statements, showing Old Seadrill's balance sheet at the point of emergence, the accounting effects of the reorganization and the accounting effects of fresh-start accounting to reconcile to Seadrill's balance sheet at the Effective Date. The Company seeks to illustrate this bridge in the balance sheet included in the Pro Forma Financial Information.

#### 4.3.2 *Non-U.S. GAAP measures*

This Prospectus contains financial measures and ratios that are not required by, or presented in accordance with U.S. GAAP. The Company refers to these measures as "non-U.S. GAAP financial measures".

For more information about the reason to why the Company includes non-U.S. GAAP financial measures in this Prospectus and the basis for calculating such financial measures and ratios, see Section 12.4 "Non-U.S. GAAP financial measures".

#### 4.3.3 *Industry and market data*

In this Prospectus, the Company has used industry and market data obtained from independent industry publications, market research, and other publicly available information, including from the International Energy Agency (IEA), Rystad Energy, IHS Markit and IHS Petrodata database, Fearnleys Securities, Clarkson Platou, and other publicly available information. While the Company has compiled, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data. Further, although certain graphs in Section 7 "Industry and market overview" are based on data from these third parties, they have not taken part in the preparation of these graphs. The Company cautions prospective investors not to place undue reliance on the above mentioned data. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

#### 4.3.4 *Other information*

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway, all references to "**USD**" or "**U.S. dollar**" are to the lawful currency of the United States, all references to "**GBP**" are to the lawful currency of the United Kingdom, all references to "**EUR**" are to the lawful common currency of the EU member states who have adopted the Euro as their sole national currency.

#### 4.3.5 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

#### 4.4 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance. All statements other than statements of historical facts included in this Prospectus, including, but not limited to, statements relating to the Company's financial position, the risks specific to the Group's business, the strengths of the Group, business strategy and the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, are forward-looking statements. These forward-looking statements can often, but not necessarily, be identified by the use of forward-looking terminology, including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear in a number of places throughout this Prospectus and include statements regarding the Company's estimated and projected costs, expenditures, cash flows, growth rates and financial results, the Company's plans and objectives for future operations, growth or initiatives, or strategies or the expected outcome or impact of pending or threatened litigation. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that the Company expected, including but not limited to the statements listed below.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in, or suggested, by the forward-looking statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. Important factors that could cause those differences include, but are not limited to:

- the Group's ability to maintain relationships with suppliers, customers, employees and other third parties following emergence from the Chapter 11 Proceedings;
- the Company's ability to maintain and obtain adequate financing to support its business plans following emergence from the Chapter 11 Proceedings;
- factors related to the offshore drilling market, including changes in oil and gas prices and the state of the global economy on market outlook for the Group's various geographical operating sectors and classes of rigs;
- supply and demand for drilling units and competitive pressure on utilization rates and dayrates;
- customer contracts, including contract backlog, contract commencements, contract terminations, contract option exercises, contract revenues, contract awards and rig mobilizations;
- the repudiation, nullification, modification or renegotiation of drilling contracts;
- delays in payments by, or disputes with, the Group's customers under its drilling contracts;
- fluctuations in the market value of the Group's drilling units and the amount of debt the Company can incur under certain covenants in its debt financing agreements;
- the liquidity and adequacy of cash flow for its obligations;
- the Group's ability to successfully employ its drilling units;
- the Group's ability to procure or have access to financing;

- the Group's expected debt levels;
- the Group's ability to comply with certain covenants in its debt financing agreements;
- credit risks of the Group's key customers;
- political and other uncertainties, including political unrest, risks of terrorist acts, war and civil disturbances, public health threats, piracy, corruption, significant governmental influence over many aspects of local economies, or the seizure, nationalization or expropriation of property or equipment;
- the concentration of the Group's revenues in certain jurisdictions;
- limitation on insurance coverage, such as war risk coverage, in certain areas;
- any inability to repatriate income or capital;
- the operation and maintenance of the Group's drilling units, including complications associated with repairing and replacing equipment in remote locations and maintenance costs incurred while idle;
- newbuildings, upgrades, shipyard and other capital projects, including the completion, delivery and commencement of operation dates;
- import-export quotas;
- wage and price controls and the imposition of trade barriers;
- the recruitment and retention of personnel;
- regulatory or financial requirements to comply with foreign bureaucratic actions, including potential limitations on drilling activity, changing taxation policies and other forms of government regulation and economic conditions that are beyond the Group's control;
- the level of expected capital expenditures, the Group's expected financing of such capital expenditures, and the timing and cost of completion of capital projects;
- fluctuations in interest rates or exchange rates and currency devaluations relating to foreign or U.S. monetary policy;
- tax matters, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with the Group's activities in Bermuda, Brazil, Norway, the United Kingdom and the United States;
- legal and regulatory matters, including the results and effects of legal proceedings, and the outcome and effects of internal and governmental investigations;
- hazards inherent in the drilling industry and marine operations causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and the suspension of operations;
- customs and environmental matters; and
- other important factors described from time to time in the reports filed or furnished by the Company with the U.S. Securities and Exchange Commission (the "**SEC**") and the NYSE, in addition to reports filed or furnished by the Company with the Norwegian FSA and the Oslo Stock Exchange.

The Company derives many of its forward-looking statements from its operating budgets and forecasts, which are based upon many assumptions. While the Company believes that its assumptions are reasonable, it cautions that it is very difficult to predict the impacts of known factors, and, it is impossible for the Company to anticipate all factors that could affect the Group's actual results. Important factors that could cause actual results to differ materially from the Company's expectations, or cautionary statements, are disclosed in Section 2 "Risk factors".

The information contained in this Prospectus, including the information set out under Section 2 "Risk factors", identifies additional factors that could affect the Group's financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all Sections of this Prospectus and, in particular, Section 2 "Risk factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

The Company cautions investors that the important factors referenced above may not contain all of the factors that are important to each investor. In addition, no assurance can be made that the Company will realize the results or developments expected or anticipated, or, even if substantially realized, that they will result in the consequences or affect the Company's operations in the way expected. These forward-looking statements speak only as of the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

#### 4.5 Exchange rates

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low reference rates for the Norwegian kroner, expressed in NOK per USD, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

<b>Fiscal year</b>	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Period end</b>
2013.....	5.8768	6.2154	5.4438	6.0837 <sup>1</sup>
2014.....	6.3019	7.6111	5.8611	7.4332 <sup>1</sup>
2015.....	8.0739	8.8090	7.3593	8.8090 <sup>1</sup>
2016.....	8.3987	8.9578	7.9766	8.6200 <sup>2</sup>
2017.....	8.2630	8.6781	7.7121	8.2050 <sup>3</sup>
2018 (up to and including June 2018)	7.9262	8.2729	7.6579	8.1588 <sup>4</sup>

1 31 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2013, 2014 and 2015.

2 30 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2016.

3 29 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2017.

4 29 June is the last recorded date by the Central Bank of Norway for the financial period ending 30 June 2018.

## 5 THE CHAPTER 11 REORGANIZATION

### 5.1 Overview

This section provides an overview of the Chapter 11 Proceedings (as defined below), and the transactions described herein and those contemplated by the Plan (as defined below) are together referred to as the "**Reorganization**". Old Seadrill and certain of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court (the "**Debtors**"), whereas this section provides an overview of the Debtors' restructuring and emergence from bankruptcy, reflecting the acceptance of the Second Amended Joint Chapter 11 Plan (as modified), as confirmed by the Bankruptcy Court on 17 April 2018 (the "**Plan**"), by all classes entitled to vote and the confirmation of the Plan by the Bankruptcy Court and pursuant to which the "**Effective Date**" (meaning the date of the Debtors' emergence from bankruptcy proceedings in accordance with the terms and conditions of the Plan) of the Plan occurred on 2 July 2018. The description in this section is qualified in its entirety by reference to the Plan. The terms of the Plan are more detailed than the description provided in this section, which may have omitted descriptions of items that may be of interest to particular investors. Therefore, please carefully consider the actual provisions of the Plan for more complete information about the transactions to be consummated in connection with the Debtors' emergence from bankruptcy.

#### 5.1.1 Introduction to the Reorganization

Prior to Old Seadrill's filing of the Chapter 11 Proceedings (as defined below), Old Seadrill was engaged in extensive discussions with its secured lenders, certain holders of its unsecured bonds and potential new money investors regarding the terms of a comprehensive restructuring.

On 12 September 2017, Old Seadrill entered into a restructuring support and lock-up agreement (the "**RSA**") with a group of bank lenders, bondholders, certain other stakeholders, and new-money providers (collectively, the "**Consenting Stakeholders**"). Old Seadrill's consolidated subsidiaries North Atlantic Drilling Ltd. ("**NADL**") and Sevan Drilling, together with certain other of its consolidated subsidiaries also entered into the RSA (together with Old Seadrill the "**Company Parties**"). Ship Finance and three of its subsidiaries, which charter three drilling units to the Company Parties, also executed the RSA. In connection with the RSA, the Company Parties entered into the "**Investment Agreement**" under which Hemen Investments Limited, an affiliate of Old Seadrill's largest shareholder Hemen Holding Ltd. and the Commitment Parties, committed to provide USD 1.06 billion in new cash commitments, subject to certain terms and conditions (the "**Capital Commitment**").

On 12 September 2017, to implement the transactions contemplated by the RSA and Investment Agreement, the Debtors commenced prearranged reorganization proceedings (the "**Chapter 11 Proceedings**") under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas Victoria Division. During the course of the bankruptcy proceedings, the Debtors continued to operate their business as debtors in possession. Public available information regarding the Chapter 11 Proceedings is available at <https://cases.primeclerk.com/seadrill/>.

As a result of the Reorganization, the Plan equitized approximately USD 2.4 billion in unsecured bond obligations, more than USD 1.0 billion in contingent newbuild obligations, substantial unliquidated guarantee obligations, and approximately USD 250 million in unsecured interest rate and currency swap claims, while extending near term debt maturities, providing the Group with over USD 1.0 billion in new capital and leaving employee, customer and ordinary trade claims largely unimpaired. Set forth below are certain financial metrics of the Group as of the Effective Date:

- total cash of approximately USD 2.1 billion;
- secured bank debt of approximately USD 5.7 billion with the first maturity occurring in 2022;
- New Secured Notes of approximately USD 880 million maturing in 2025; and
- backlog of approximately USD 2.3 billion for the Group, excluding SeaMex and Seadrill Partners.

#### 5.1.1.1 Corporate Reorganization

The Plan provided for Seadrill to serve as the ultimate parent holding company for Old Seadrill's subsidiaries after the Debtors' emergence from the Chapter 11 Proceedings. Seadrill was initially formed as a wholly-owned subsidiary of Old Seadrill and has not conducted any material operations prior to the Effective Date. Following the Debtors' emergence from bankruptcy, the economic interests in the existing shares of Old Seadrill were extinguished, and Old Seadrill will be dissolved under Bermuda law. In accordance with the Plan, the common shares of Seadrill were issued

to the parties entitled thereto under the Plan and under the Investment Agreement. As part of the concurrent corporate reorganization, Seadrill became the ultimate parent holding company of Old Seadrill's subsidiaries. The Plan was effective on 2 July 2018, and some of the information provided in this Prospectus therefore relates to the Group prior to the Effective Date, including in particular but not limited to the historical financial information of the Group included in Section 10 "Selected financial information" and the description of said financial information included in Section 12 "Operating and financial review". Nevertheless, except as otherwise noted or suggested by the context, the information contained in this Prospectus relates to Seadrill and its subsidiaries following the Effective Date.

The corporate reorganization also included: (i) the formation of a new wholly-owned intermediate holding company ("**IHCo**") as a subsidiary of Seadrill, (ii) and a new wholly-owned intermediate holding company ("**RigCo**") as a subsidiary of IHCo which holds interests in NADL, Sevan Drilling, AOD and Old Seadrill's direct or indirect wholly-owned rig-owning entities and intra-group charterers transferred to RigCo in the corporate reorganization, (iii) the formation of a new wholly-owned intermediate holding company Seadrill New Finance Limited ("**NSNCo**"), as a subsidiary of IHCo for the purpose of issuing the "**New Secured Notes**" or "**NSN**" (being the USD 880 million aggregate principal amount of 12% Senior Secured Notes due 2025 issued by NSNCo in connection with the Reorganization, as further described below) and (iv) the formation of certain new wholly-owned intermediate holding companies as subsidiaries of NSNCo for the purpose of holding interests in certain of the non-consolidated entities transferred to NSNCo by Old Seadrill in the corporate reorganization.

#### 5.1.1.2 The Plan

Consistent with the RSA, the Debtors filed a proposed plan of reorganization and disclosure statement with the Bankruptcy Court on 12 September 2017, as well as a disclosure statement relating to the proposed plan of reorganization. Subsequent to 12 September 2017, the Debtors negotiated with its various creditors, including an ad hoc group of holders of unsecured bonds (the "**Ad Hoc Group**") and certain newbuild ship yards with which the Debtors had contractual relationships to build new rigs. On 26 February 2018, the Debtors announced a global settlement with various creditors, including the Ad Hoc Group, the official committee of unsecured creditors (the "**Committee**") and other major creditors in its Chapter 11 cases, including Samsung and DSME, two of the Debtors' newbuild shipyards, and an affiliate of Barclays Bank PLC ("**Barclays**"), another holder of unsecured bonds. In connection with the global settlement, the Debtors entered into an amendment to the RSA and an amendment to the Investment Agreement. The amendments to the RSA and Investment Agreement provided for the inclusion of the Ad Hoc Group and Barclays into the Capital Commitment as Commitment Parties, increased the Capital Commitment to USD 1.08 billion, increased recoveries for general unsecured creditors of Old Seadrill, NADL and Sevan Drilling under the Plan, an agreement regarding the allowed claim of the newbuild shipyards and an immediate cessation of all litigation and discovery efforts in relation to the Plan as well as the Debtors' rejection and recognized termination of the newbuild contracts. The Investment Agreement, as amended, provided for certain milestones for the Debtors' restructuring: (1) the Bankruptcy Court entered an order confirming the Plan on 17 April 2018 (the "**Confirmation Date**") and (2) the effective date of the Plan had to occur within 90 days of the Confirmation Date, and in any event no later than 8 August 2018.

In connection with the global settlement, on 26 February 2018, the Debtors filed a proposed Second Amended Joint Chapter 11 Plan of Reorganization with the Bankruptcy Court and on 17 April 2018 the Bankruptcy Court entered an order confirming the Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, as amended and supplemented. Reference is made to the Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, in the form confirmed by the Bankruptcy Court, with any further amendments or supplements thereto, as the Plan. The Plan became effective on 2 July 2018. Under the Plan and the terms of the Investment Agreement and the transactions contemplated therein, the Commitment Parties to the Investment Agreement were issued certain common shares of Seadrill and purchased additional common shares of Seadrill in connection with the completion of an equity rights offering to holders of claims against the Debtors. Seadrill also agreed to register its common shares for resale by the selling shareholders.

#### 5.1.1.3 Rights offering

Pursuant to the Plan and an order of the Bankruptcy Court, a set of rights offering procedures were approved. As a result, eligible holders of general unsecured claims against the Debtors were offered the right to participate in (i) a rights offering of up to USD 119.4 million in principal amount of the New Secured Notes (the "**Notes Rights Offering**") and the corresponding pro rata portion of 57.5% of common shares in Seadrill were issued to holders who participated in the Notes Rights Offering and (ii) a rights offering of up to USD 48.1 million in value of common shares in Seadrill (the "**Equity Rights Offering**").

The Equity Rights Offering was directed to eligible holders of General Unsecured Claims (as defined in the Plan), who either (i) were located in the United States or (ii) were located outside the United States and who satisfied one of the following criteria (a) they were located in a member state of the European Economic Area (EEA); (b) they were located in the United Kingdom and were qualified (i) to make an investment in Seadrill common shares under the applicable laws of the EEA (ii) satisfied certain criteria under the laws of the United Kingdom; or (c) were located in a different jurisdiction, and under the laws of that jurisdiction were entitled to subscribe for and purchase the Seadrill common stock, in each case without the need for any registration or similar filing by Seadrill. The subscription period for the Equity Rights Offering commenced on 7 May 2018 and ended on 5:00 pm New York City Time on 8 June 2018. The subscription right to participate in the Equity Rights Offering could not be separated from the related General Unsecured Claims, hence the only way to transfer the subscription rights was to transfer the related General Unsecured Claims. The holders of General Unsecured Claims could purchase up to 2,700 shares of Seadrill common shares for each USD 1,000 in allowed amount of its claims in aggregate in the Equity Rights Offering. The subscription price for Seadrill common shares in the Equity Rights Offering was USD 8.421 per share. Holders of General Unsecured Claims who were not entitled to participate in the Equity Rights Offering, were eligible to receive a cash payment in the amount of USD 30 per USD 1,000 of the allowed amount of their claim.

The New Secured Notes and the common shares in Seadrill were acquired by the Commitment Parties under the Investment Agreement, and were reduced to the extent the Note Rights and Equity Rights were exercised in the Notes Rights Offering and the Equity Rights Offering, respectively. The Commitment Parties did not participate in the Notes Rights Offering nor the Equity Rights Offering, in accordance with the terms of the Investment Agreement.

#### 5.1.1.4 Issuance and distribution of the new shares under the Plan and Investment Agreement

The following table sets forth the allocation of common shares issued on the Effective Date, subject to the terms and conditions of the Plan:

Recipient of Common Shares	Number of shares	Percentage		Fully diluted
		Prior to dilution by Primary Structuring Fee and the shares reserved under the employee incentive plan	Prior to dilution by the shares reserved under the employee incentive plan	
Commitment Parties (in exchange for cash paid pursuant to the Investment Agreement) and Equity Rights Offering Subscribers .....	23,750,000	25%	23.75%	21.38%
Recipients of New Secured Notes (including Commitment Parties and Notes Rights Offering Subscribers) .....	54,625,000	57.50%	54.63%	49.16%
Holders of General Unsecured Claims .....	14,250,000	15%	14.25%	12.83%
Former Holders of Old Seadrill Equity and Seadrill Limited 510(b) Claimants .....	1,900,000	2%	1.90%	1.71%
Fee to Select Commitment Parties .....	475,000	0.50%	0.48%	0.43%
<b>All creditors, excluding Primary Structuring Fee .....</b>	<b>95,000,000</b>	<b>100%</b>	<b>90%</b>	<b>85.50%</b>
Hemen (on account of Primary Structuring Fee) ..	5,000,000	-	5%	4.50%
<b>Total, prior to dilution by the shares reserved under the employee incentive plan .....</b>	<b>100,000,000</b>	<b>-</b>	<b>100%</b>	<b>90%</b>
Reserved for the employee incentive plan .....	11,111,111	-	-	10%
<b>Total, fully diluted .....</b>	<b>111,111,111</b>	<b>-</b>	<b>-</b>	<b>100%</b>



#### 5.1.1.5 New Secured Notes

In accordance with the terms and conditions of the Investment Agreement, the Commitment Parties purchased the full principal amount of the New Secured Notes for USD 880 million in cash, less the principal amount purchased by participants in the Notes Rights Offering, and on the Effective Date, NSNCo issued USD 880 million in principal amount of New Secured Notes. As described above, Seadrill issued approximately 57.5% of the common shares in Seadrill (prior to dilution by the Primary Structuring Fee and the shares reserved under the employee incentive plan) on a pro rata basis to the purchasers of the New Secured Notes.

## **6 DIVIDEND AND DIVIDEND POLICY**

### **6.1 Dividend policy and legal constraints and restrictions on the distribution of dividend**

Pursuant to the Bye-laws, the Board of Directors may declare cash dividends or distributions. The payment of any future dividends to shareholders will depend upon decisions that will be at the sole discretion of the Board of Directors and will depend on the then existing conditions, including the Group's operating results, financial condition, contractual restrictions, corporate law restrictions, capital requirements, the applicable laws of Bermuda and business prospects. Under Bermuda law, a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of its assets would thereby be less than its liabilities.

Although the Board of Directors may consider the payment of dividends following the Effective Date, there can be no assurance that the Company will pay any dividend, or if declared, the amount of such dividend. The terms of the Company's senior credit facilities and the agreements governing its subsidiary NSNCo (a company incorporated under the laws of Bermuda with registration number 53451, formed in connection with the Reorganization and the issuer of the New Secured Notes) indebtedness under the New Secured Notes may restrict the Company's ability to declare or pay dividends. Further, as the Company is a holding company with no material assets other than the shares of its subsidiaries through which it conducts its operations, its ability to pay dividends will also depend on the subsidiaries distributing their respective earnings and cash flow to the Company.

The Company was incorporated on 14 March 2018 and has not paid any dividends since its incorporation. Old Seadrill did not pay dividends on its common shares during the pendency of the bankruptcy proceedings, and for the years ended 31 December 2017, 2016 and 2015, no dividends were paid.

### **6.2 Manner of dividend payments**

Any cash dividends payable to holders of the Shares listed on the Oslo Stock Exchange will be paid through Nordea Bank AB (publ), filial i Norge (*Eng. Norwegian branch*) ("**Nordea**"), as the Company's branch registrar and transfer and paying agent in Norway for disbursement to shareholders holding shares in the Norwegian Central Securities Depository ("**VPS**") (*Nw. Verdipapirsentralen*). Any future payments of dividends on the Shares will be made in NOK. Dividends will be advised by the Company in USD, with a FX rate indicated in dividend details to the investors with shares held in the VPS. Shareholders registered in the VPS who have not supplied the VPS with details of their bank account, will not receive payment of dividends unless they register their bank account details with the relevant VPS account. Dividends will be credited to the NOK bank account linked to the VPS account, payment will be made when the shareholder has provided Nordea with their bank account details.

Any dividends, which remain unclaimed for three years from the date of declaration of such dividend or distribution will be forfeited and revert to the Company.

## 7 INDUSTRY AND MARKET OVERVIEW

This Section discusses the industry and markets in which the Group operates. Certain of the information in this Section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled and obtained by professional organizations, consultants and analysts, including International Energy Authorities, Fearnleys, Clarksons Research, Clarksons Platou Securities AS and IHS Petrodata; in addition to market data from other external and publicly available sources, and the Company's knowledge of the markets, see Section 4.3.3 "Industry and market data". The following discussion contains forward-looking statements, see Section 4.4 "Cautionary note regarding forward-looking statements". Any forecast information and other forward-looking statements in this Section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 2 "Risk factors" for further details.

### 7.1 Introduction

The Company operates in the global offshore drilling market and provides drilling and drilling-related services for the exploration and development of oil and gas resources throughout the world. Offshore drillers are a key component of the upstream value chain and are instrumental to oil companies' efforts to explore for and produce oil and gas. Customers include integrated oil and gas companies, state-owned national oil companies and independent oil and gas companies.

Historically, the offshore drilling industry has been highly cyclical, with activity driven by several factors, many of which are common to the oil and gas industry as a whole. These factors include the following:

- **Economic growth:** Global economic activity is a key demand driver for oil and gas. Global economic activity continues to improve, with global output having grown by an estimated 3.7% in 2017.
- **Supply and demand for crude oil and natural gas:** with global demand rising steadily, supply side responses are critical. The recovery from the historic drop-off in investments by 25% in 2015 and 2016 has yet to fully commence.
- **Geopolitical trends:** changes in the political, economic and regulatory environment affect the supply and demand for oil and gas. The fiscal, political and regulatory regime within oil producing countries also impacts the level of oil and gas extraction activity.
- **Oil and gas price and E&P spend:** drilling activity is dependent on the capital spending programs of oil and gas companies. These are highly correlated with oil and gas companies' earnings, which are in turn, highly dependent on the prevailing market prices for crude oil and natural gas.
- **Technology and innovation:** advances in drilling-related technology have enabled the exploration and development of previously in-accessible resources – through rigs that can drill in greater water depths, more extreme environments, and technology that optimizes drilling performance and safety.

### 7.2 Development of Brent oil price

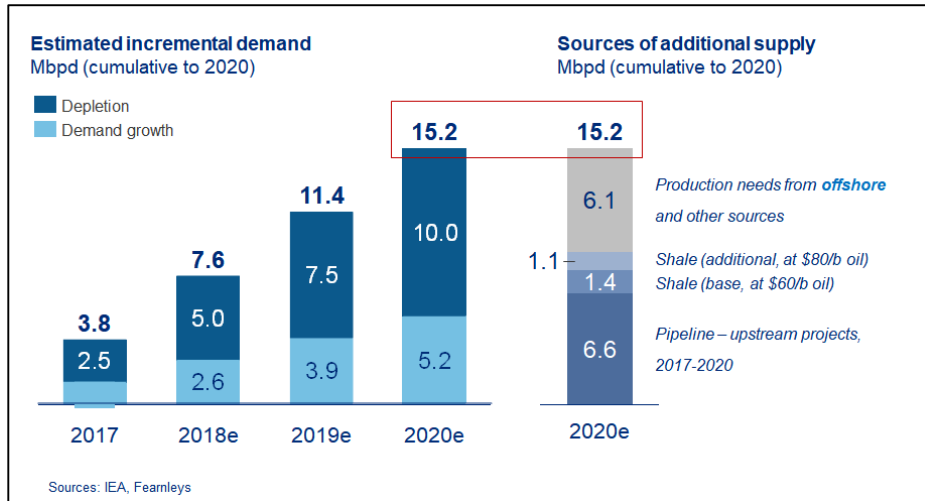
The offshore drilling market is currently entering the fifth year of a downturn and the timing of recovery remains uncertain. The below table shows the average oil Brent price over the period from 2013 to 2017.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Average Brent oil price (USD/bbl) .....	108.70	99.49	53.60	45.13	54.74

Brent oil prices have been in the range from USD 45 to USD 55 throughout most of 2017 before increasing in the last quarter of the year and early 2018. The Brent oil price on 31 March 2018 was USD 70. Oil and gas companies have responded to the decrease in oil price during the downturn by reducing their spending. During 2017, oil and gas companies continued to focus on preserving cash, in some cases consciously allowing the production decline rate on producing fields to accelerate. Based on the decreased level of investment since 2014, the Company expects that production decline rates will increase. Further, the longer the period of lower investment persists, the more new projects and infill drilling will be required to replace the lost production.

The International Energy Agency ("IEA") estimates that in order to compensate for three years of suppressed investments (2015-2017), ~21 billion barrels of new projects will need to be approved annually in the period between 2018 to 2025. Set out below is an overview of the development in incremental oil demand and supply for the period from 2017 and up until 2020 (estimated).

**Incremental oil demand and supply, 2017-2020 (e)**



As highlighted in the chart above, an estimated 15 mmbpd (or million barrels of oil per day) of incremental oil will be needed to meet future demand by 2020, both shale and offshore are critical contributors to this future supply.

**7.3 The global fleet of drilling units**

**7.3.1 Overview**

The global fleet of offshore drilling units consists of drillships, semi-submersible rigs, jack-up rigs and tender rigs. As at 31 March 2018, the existing worldwide drilling rig fleet totaled 812 units including 116 drillships, 143 semi-submersible rigs, 526 jack-up rigs and 30 tender rigs. In addition, there were 28 drillships, 90 jack-up rigs, 14 semi-submersible rigs and 6 tender rigs on order or under construction at this date.

The water depth capacities for various drilling rig types depend on rig specifications, capabilities and equipment outfitting. Jack-up rigs normally work in water depths up to 450 feet while semi-submersible rigs and drillships can work in water depths up to 12,000 feet, while tender rigs work in water depths up to 410 feet for tender barges and up to 6,000 feet for semi-tenders. All offshore rigs are capable of working in benign environments but there are certain additional requirements for rigs to operate in harsh environments due to extreme marine and climatic conditions. The number of units outfitted for such operations are limited, and the present number of rigs capable of operating in harsh environments total 146 units.

**7.3.2 Floaters**

The worldwide fleet of semi-submersible rigs and drillships totaled 259 units as at 31 March 2018. Of the total delivered fleet, 166 units are capable of ultra-deepwater operations above 7,500 feet, 31 are classed for deepwater operations up to 7,500 feet and 62 are classed for mid-water operations up to 4,500 feet. Overall, the average global fleet is 16 years old. The average age of ultra-deepwater units is eight years, 25 years for units classed for deepwater operations and 29 years for units classed for mid-water operations. Included in the global floater fleet are units classed for operations in harsh environments. The global harsh environment floater fleet is comprised of 69 units and is 19 years old on average.

The primary markets for benign environment floaters are the Gulf of Mexico, South America and West Africa. Harsh environment floaters typically work in the North Sea and Canada.

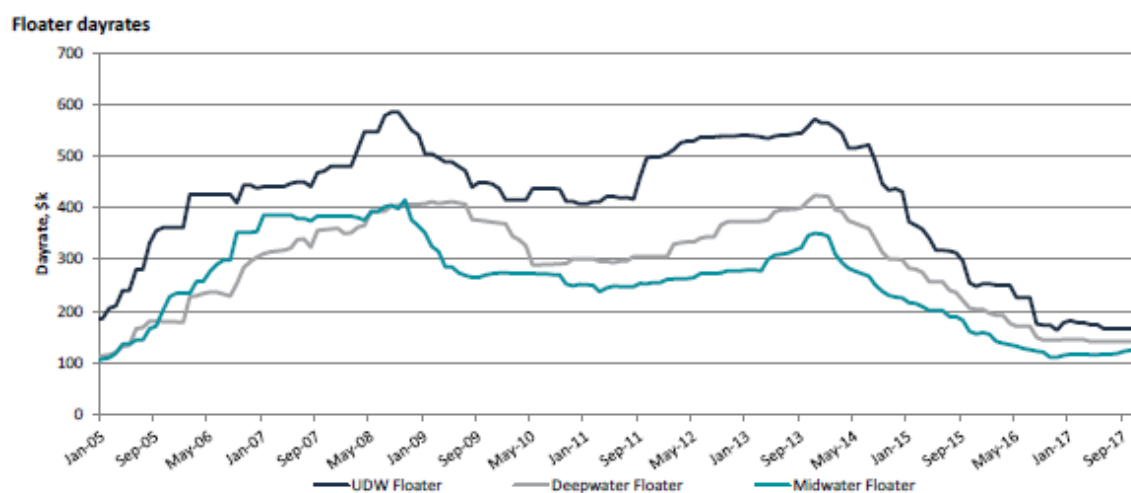
During 2017 and 2018, the Company has seen an increase in the activity level in the floater market, albeit at competitive dayrates. This improvement was from a low base and the Company expects activity levels to continue to improve. When this recent increase in activity leads to higher dayrates remains uncertain since the offshore drilling market remains oversupplied. Offshore drilling contractors have continued to aggressively market their rigs, often

focusing on utilization over pricing. The below table shows the utilization of the global fleet at 31 March 2018 and for each of the four preceding years.

	March 2014	March 2015	March 2016	March 2017	March 2018
Global fleet – floaters .....	320	313	303	282	259
Contracted fleet – floaters .....	260	237	170	135	125
Utilization – floaters .....	81%	76%	56%	48%	48%

As at 31 March 2018, 125 floaters out of 259 floaters were under contract, representing 48% marketed utilization. It is estimated that 180-200 rigs are needed in the floater fleet to maintain long-term average production decline curves.

Whilst oil companies continue to prefer newer and more capable equipment, the Company has seen a similar level of utilization across each class of drilling unit. Ultra-deepwater units are currently experiencing 46% capacity utilization versus 42% for deepwater and 56% for mid-water floaters. Utilization for harsh environment floaters was 51% at 31 March 2018. The chart below shows historic dayrates for all three classes of floaters. Average dayrates for UDW floaters fell from their peak of approximately USD 600k/day in 2008 and decreased to approximately USD 410k/d in 2010, before steadily increasing again as contracting activity improved. The recent downturn has seen these rates fall sharply, with current dayrates in the global floater market remaining at levels close to operational expenditure levels. Most new contracts for benign water are signed in the range USD 100-200k/day. The Company has however experienced a significant improvement in the harsh environment floater market where recent contracts have been entered into at rates closer to USD 300k/day for high spec rigs.



Source: Clarksons Research, Clarksons Platou Securities AS

Based on the level of current activity and the aging floater fleet, the Company expects stacking and scrapping activity to continue. A total of 103 floaters have been scrapped or retired since the beginning of 2014, equivalent to 32% of the total fleet, and currently there are 28 cold or warm stacked units with no follow-on work identified that are 30 years old or older. In the next 18 months, a further 22 units that are 30 years old or older will be coming off contract with no follow-on work identified which represent additional scrapping candidates. A key rationale for scrapping is the 35-year classing expenditures that can cost upwards of USD 100 million. Many rig owners are expected to choose to retire the unit rather than incur this cost without a visible recovery in demand on the horizon.

Cold stacked units will generally require an improvement in dayrates sufficient to overcome reactivation costs before they are reintroduced into marketed supply. Continued cold stacking of units would represent a positive development in the market, effectively reducing marketed supply and helping to stabilize utilization and pricing until a more fundamental recovery is in place. Older units that roll off contract may require significant capital expenditure to remain in the working fleet and are therefore more likely to be cold stacked and ultimately scrapped. The Company expects the combination of improving activity levels, cold stacking and scrapping activity to lead to a balanced market at some point. Based on the expected level of scrapping activity and the number of units that are anticipated to be cold stacked, a relatively small increase in spending could meaningfully tighten the floater markets.

The global floater order book stands at approximately 42 units, comprised of 28 drillships and 14 semi-submersible rigs. 12 are scheduled for delivery in 2018, 17 in 2019 and 13 in 2020 and beyond. Due to the subdued level of contracting activity, the Company expects that it is likely that a significant number of newbuild orders will be delayed or cancelled until an improved market justifies taking delivery.

7.3.3 Jack-up rigs

The worldwide fleet of jack-up rigs totaled 526 units at 31 March 2018. Of the total delivered fleet, 243 units were high specification and capable of operations in water depths up to 350 feet and 283 units were standard jack-ups and capable of operations in water depths up to 350 feet. Overall, the global jack-up fleet is 22 years old on average. The average age of high specification units is 11 years and 31 years for standard units. Included in the global jack-up fleet are units classed for operations in harsh environments. As at 31 March 2018, the global harsh environment jack-up fleet is comprised of 77 units and is 14 years old on average.

The primary markets for benign environment jack-ups are Southeast Asia and the Middle East while harsh environment jack-ups typically work in the North Sea.

Tendering activity in the jack-up market continued during 2017 and 2018, albeit at low dayrates. The shorter-term contract profile in this market lends itself to more turnover and the market has likely reached the base level of units required to maintain existing decline curves. The below table shows the global number of jack-ups, number on contract, and overall fleet utilization as at 31 March 2018 and for each of the four preceding years.

	March 2014	March 2015	March 2016	March 2017	March 2018
Global fleet – jack-up .....	517	540	541	539	526
Contracted fleet – jack-up .....	415	398	322	297	294
Utilization – jack-up .....	80%	74%	60%	55%	56%

Globally, marketed utilization was 56% as at 31 March 2018. Oil companies continue to prefer newer and more capable equipment, demonstrated by the utilization rates of different asset classes. High specification jack-ups experienced a 58% capacity utilization as at 31 March 2018 versus 54% for standard units. Harsh environment jack-ups were operating at 53% capacity utilization as at 31 March 2018.

The chart below shows historic dayrates for jack-ups. The global jack-up drilling rig market experienced a steady increase in dayrates in the period from 2010 to 2014. The increase was mainly due to increased demand for drilling services caused by higher oil and gas prices and investments in exploration. Dayrates have since fallen by over 50% relative to 2014 levels, and are currently close to operational expenditure for most regions and asset classes. The market for modern high specification jack-ups is currently in the USD 60-70k/day range while being around USD 50k/day for older standard units.



Source: Clarkson Research, Clarkson Platou Securities AS

A total of 57 jack-ups have been scrapped since the beginning of 2014, equivalent to 11% of the total fleet, and at 31 March 2018 there were 56 cold stacked units that were 30 years old or older, which were prime scrapping candidates. In the next 18 months, 91 units that are 30 years old or older will be coming off contract with no follow on work identified which represent additional scrapping candidates, however scrapping activity in the jack-up segment may remain subdued relative to the floater segment due to the lower cost of stacking and classing these units.

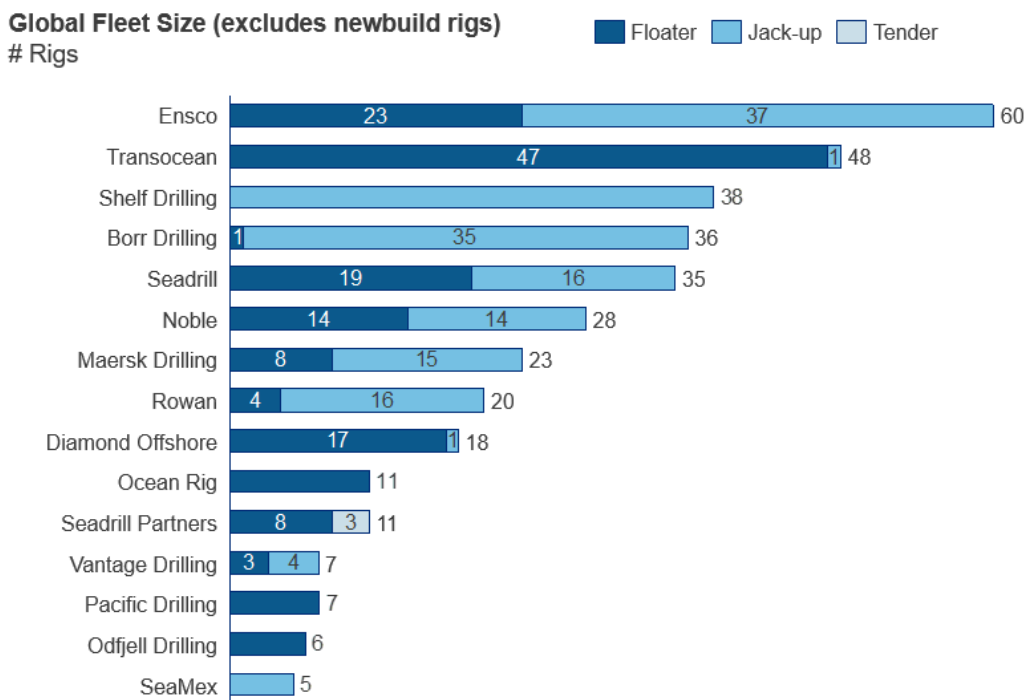
The newbuilding orderbook stood at approximately 90 units at 31 March 2018. However, a significant portion of these orders were placed by investors with little or no operating track record. While a number of these speculators may exit projects, these units may eventually reach the market, possibly in the hands of more established companies. The deployment of this incremental supply may be somewhat rationalized in the longer term as the more established players will likely only take delivery when economically viable.

In 2018, 56 units are scheduled for delivery, with an additional 27 scheduled for 2019 and seven in 2019 and beyond. Due to the subdued level of contracting activity the Company believes that it is likely that a significant number of newbuild orders may be delayed until an improved market justifies taking delivery or cancelled.

The above overview of the offshore drilling market is based on historical facts and current market conditions. Future markets conditions and developments cannot be predicted and may materially differ from the Company's expectations at the date of this Prospectus.

**7.4 Competition**

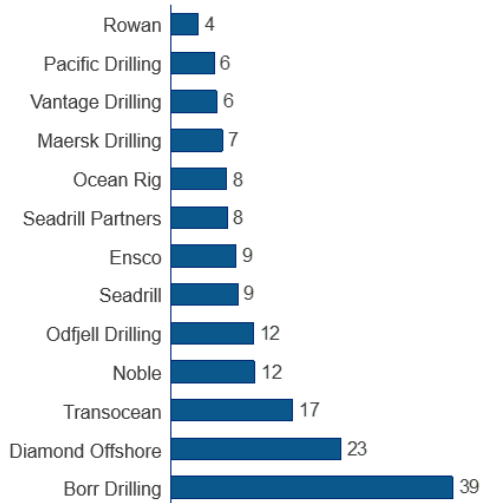
The offshore drilling industry is highly competitive, with market participants ranging from large multinational companies to smaller locally-owned companies. The Company owns and manages (on behalf of Seadrill Partners, SeaMex and Northern Drilling) one of the largest fleets in the industry. Through the downturn there have been several mergers, divestitures and restructurings. The industry has consolidated, new companies have been launched, there are fewer large diversified drilling companies and the industries' debt levels have been reduced.



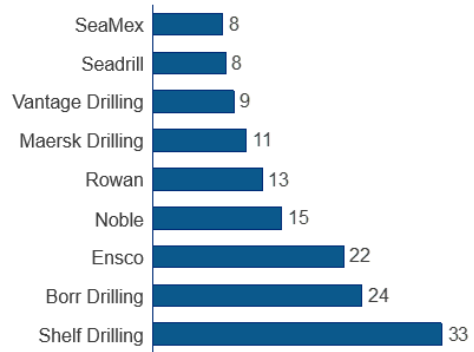
Source: IHS Petrodata, May 2018

Although the competitive landscape has shifted, companies that own modern high-specification rigs continue to be in an advantageous competitive position relative to owners of older low specification rigs. The Company owns and manages one of the youngest fleets in the industry.

**Average Fleet Age – Floaters<sup>1</sup>**  
# Years



**Average Fleet Age – Jack-ups<sup>2</sup>**  
# Years



**Notes:**

1) Average fleet age for Floaters excludes newbuild rigs

2) Average fleet age for Jack-ups excludes newbuild rigs. The chart excludes Transocean and Diamond Offshore, as both have a single jack-up each in their fleet.

Source: IHS Petrodata, May 2018

Offshore drilling contracts are generally awarded on a competitive bid basis. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, rig location, condition of equipment, operating integrity, safety performance record, crew experience, reputation, industry standing and client relationship.

Competition for offshore drilling rigs is generally on a global basis, as rigs are highly mobile. However, the costs associated with mobilizing rigs between regions is sometimes substantial and entering a new region could require upgrades to meet certain regional requirements. In particular, for rigs to operate in harsh environments, such as the North Sea and Canada, as opposed to benign environments, such as the Gulf of Mexico, West Africa, Brazil, the Mediterranean and Southeast Asia, more demanding weather conditions would require investments in specialized equipment that otherwise would not be required.



## **8 BUSINESS OF THE GROUP**

### **8.1 Overview of the Group's activities**

#### *8.1.1 Introduction*

Seadrill is an offshore drilling contractor providing worldwide offshore drilling services to the oil and gas industry. The Company's primary business is the ownership and operation of drillships, semi-submersible rigs and jack-up rigs for operations in shallow-, mid-, deep and ultra-deepwater areas and in benign and harsh environments. The Group contracts its drilling units primarily on a dayrate basis for periods between one and ten years to drill wells for its customers, typically oil super-majors and major integrated oil and gas companies, state-owned national oil companies and independent oil and gas companies.

Through a number of acquisitions of companies, secondhand units and newbuildings, the Group has developed into one of the world's largest international offshore drilling contractors, providing jobs for more than 4,600 employees. The Group is headquartered in Bermuda, and has worldwide operations where its activities are conducted in the global oil and gas industry. The majority of the Group's revenues are generated from areas where the rigs are in operation, such as Angola, Brazil, India, Nigeria, Norway, Saudi Arabia, Thailand, the United Kingdom, and the United States. Reference is made to Section 10.9 "Geographic segment data" for an overview of the Group's revenues from its rigs' operations in some of these areas.

The Group has a young and versatile fleet of rigs comprising drillships, jack-up and semi-submersible rigs for operations in shallow to ultra-deepwater areas in both harsh and benign environments. Management believes that the Group is recognized for providing high quality operations, in some of the most challenging sectors of offshore drilling. The Group provides operations in the oil and gas exploration and development in regions throughout the world. The Group's offshore drilling services are provided to national, international and independent oil companies.

The Group operates its business through the following segments: (i) floaters; (ii) jack-up rigs; and (iii) other, as further explained in Section 8.1.2 "The Group's fleet" and 8.1.3 "Other" below.

#### *8.1.2 The Group's fleet*

As at 31 March 2018, the Group had a fleet comprising of 35 offshore drilling units consisting of 7 drillships, 12 semi-submersible rigs and 16 jack-up rigs in operation, and contracts for the construction of 8 jack-up rigs and an option to acquire 1 semi-submersible rig. Of the Group's total fleet, 18 were idle as of 31 March 2018. Reference is made to Section 8.5.2 "Drilling units and newbuildings" for more information on the Group's drilling units and newbuildings.

##### **8.1.2.1 Floaters**

###### *Drillships*

Drillships are self-propelled ships equipped for drilling offshore in water depths ranging from 1,000 to 12,000 feet and are positioned over the well through a computer-controlled thruster system similar to that used on semi-submersible rigs. Drillships are suitable for drilling in remote locations because of their mobility and large load-carrying capacity. Depending on country of operation, drillships operate with crews of between 65 and 100 people.

###### *Semi-submersible drilling rigs*

Semi-submersibles are self-propelled drilling rigs (which include cylindrical designed units) consisting of an upper working and living quarters deck connected to a lower hull consisting of columns and pontoons. Such rigs operate in a "semi-submerged" floating position, in which the lower hull is below the waterline and the upper deck protrudes above the surface. The rig is situated over a wellhead location and remains stable for drilling in the semi-submerged floating position, due in part to its wave transparency characteristics at the water line. Semi-submersible rigs can be either moored or dynamically positioned. Moored semi-submersible rigs are positioned over the wellhead location with anchors and typically operate in water depths ranging up to 1,500 feet. Dynamically positioned semi-submersible rigs are positioned over the wellhead location by a computer-controlled thruster system and typically operate in water depths ranging from 1,000 to 12,000 feet. Depending on country of operation, semi-submersible rigs generally operate with crews of between 65 and 100 people.

##### **8.1.2.2 Jack-up rigs**

Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the seabed. A jack-up rig is mobilized to the drill site with a heavy lift vessel or a wet tow. At the drill site, the legs are lowered until

they penetrate the sea bed and the hull is elevated to an approximate operational airgap of 50 to 100 feet depending on the expected environmental forces. After completion of the drilling operations, the hull is lowered to floating draft, the legs are raised and the rig can be relocated to another drill site. Jack-ups are generally suitable for water depths of 450 feet or less and operate with crews of between 90 and 120 people.

### 8.1.3 Other

The Group's other activities predominantly relate to the provision of management services to third parties and related parties, in which the Group charges a management fee income for such services. Reference is made to Section 14 "Related party transactions" for more information on management and administrative services provided by the Group to related parties.

## 8.2 Competitive strengths

The Company believes that its competitive strengths include the following:

### *One of the largest offshore drilling contractors*

Since the Group's inception in 2005, it has developed into one of the world's largest international offshore drilling contractors<sup>1</sup>, based on number of rigs, and employs approximately 4,600 skilled employees. As at 31 March 2018, the Group owned and operated 35 offshore drilling units, which consisted of 7 drillships, 12 semi-submersible rigs and 16 jack-up rigs. In addition, the Group also has 8 jack-ups under construction and an option to acquire one semi-submersible rig. The Group is one of the largest offshore drilling companies, and also has one of the youngest rigs fleets in the industry, with an average fleet age of 8.8 years.

In addition, Seadrill holds investments in several other companies in the industry that own and/or operate offshore drilling units with similar characteristics to its own fleet of drilling units or deliver various oil services.

### *Commitment to safety and the environment*

The Company believes that the combination of quality drilling units and experienced and skilled employees allows the Group to provide its customers with safe and effective operations. Quality assets and operational expertise allows the Group to establish, develop and maintain a position as a preferred provider of offshore drilling services for its customers.

### *Technologically advanced and young fleet*

The Group's drilling units are among the most technologically advanced in the world<sup>2</sup>, based on the age of the Group's fleet. The majority of the Group's rigs were built after 2007, which is among the lowest average fleet age in the industry. Although current offshore drilling demand is weak, new and modern units that offer superior technical capabilities, operational flexibility and reliability are preferred by customers and winning the majority of available opportunities. The Company believes, based on its proven operational track record and fleet composition, that it will be better placed to secure new drilling contracts than some of its competitors with older, less advanced rig fleets.

### *Strong and diverse customer relationships*

The Group has strong relationships with its customers that the Company believes are based on its operational track record and quality of its fleet. The Group's customers are oil and gas exploration and production companies, including integrated oil companies, state-owned national oil companies and independent oil and gas companies. As of 31 March 2018, the Group's five largest customers in terms of revenue were certain subsidiaries of Total S.A., Petrobras, ENI SpA, Saudi Arabian Oil Company ("**Saudi Aramco**") and ExxonMobil Corporation.

## 8.3 Overall strategy

During the current challenging period for the industry and in order to maintain its position as a leading offshore driller, the Company's strategy includes being able to deliver in the following key areas:

### *Best operations*

The Company is a leading offshore drilling company and its key objective is to deliver the best operations possible - both in terms of utilization and health, safety and environment. To do this, the Company leverage on having one of

<sup>1</sup> Source: IHS Petrodata database

<sup>2</sup> Source: IHS Petrodata database

the most modern fleets in the industry and its combination of experienced and skilled employees across the organization. Using the Group's strong operational record, the Company intends to maximize its opportunities for new drilling contracts and sustain a competitive cost structure, which the Company has been pursuing through its multi-year savings program, while minimizing chances of contract termination.

#### *Right rigs*

The Company's business model includes both jack-ups and floaters and the Company will continue to maintain its presence in both segments. Having the right rigs in these two segments allows the Company to offer a range of assets to suit its customers' needs, to work in various geographies and water depths, and to position itself for future growth in the industry.

#### *Strongest relationships*

The Group has established strong and long-term relationships with key players in the industry and the Company will seek to deepen and strengthen these relationships as part of its strategy. This involves identifying additional value-adding services for existing customers and developing long-term partnerships. By providing the best possible service to its customers, the Company can aim to help them unlock energy and be valued partners in their success.

#### *Leading organization*

The Company is proud of the Group's culture and recognize that its business is built on people. As part of its strategy, the Company aim to recruit, retain and develop the best people in the industry and to build an organization that adapts to business needs.

In addition to the Company's long-term strategy, its immediate objective during the current industry downturn is to complete a comprehensive restructuring plan in order to provide a bridge to the industry recovery and realize the value of its high specification, modern fleet.

## **8.4 History**

The table below sets forth important events in the history of the Group, from its incorporation to the date of this Prospectus.

<b>Year</b>	<b>Event</b>
2005	<ul style="list-style-type: none"> <li>• On 10 May, Old Seadrill was incorporated by Hemen.</li> <li>• On 30 June, Old Seadrill acquired five single purpose companies from Greenwich, Seatankers and Hemen.</li> <li>• Old Seadrill acquired Odfjell Invest Ltd., and subsequently changed this company's name to Seadrill Invest.</li> <li>• Old Seadrill acquired additional shares in Seadrill Invest, which brought its ownership to 99.96% of the share capital.</li> <li>• On 22 November, Old Seadrill was listed on the Oslo Stock Exchange.</li> <li>• In December, Old Seadrill acquired shares in Mosvold. After closing (on 20 January 2006), Old Seadrill held in total 40.13% of the share capital of Mosvold.</li> <li>• On 23 December, Seadrill Invest was delisted from the Oslo Stock Exchange.</li> </ul>
2006	<ul style="list-style-type: none"> <li>• In January, Old Seadrill purchased additional shares in Mosvold, which brought its ownership to 49.7% of the share capital. Subsequently, Old Seadrill acquired the remaining shares, which brought its total ownership to 94.3% of the share capital of Mosvold.</li> <li>• In January, Old Seadrill purchased shares in Smedvig, and subsequently achieved control of in total 51.9% of the votes and 53.1% of the share capital of Smedvig.</li> <li>• On 6 March, Old Seadrill launched a global mandatory offer for the remaining shares of Smedvig, which closed on 31 March. Through this offer, Old Seadrill increased its total ownership to 99.4% of the votes and 96.85% of the share capital of Smedvig.</li> <li>• Old Seadrill organized its ownership of the shares in Smedvig through a Norwegian sub-holding company. The company Smedvig Holding was incorporated as a wholly owned subsidiary of Old Seadrill for this purpose. Smedvig Holding acquired all of Old Seadrill's shares in Smedvig, and the obligation to acquire the remaining shares of Smedvig was tendered under the mandatory offer. On 2 May, Smedvig Holding became the sole shareholder of Smedvig.</li> <li>• On 12 May, Smedvig changed its name to Seadrill Norge AS.</li> <li>• On 16 June, Smedvig was delisted from the Oslo Stock Exchange.</li> <li>• Old Seadrill entered into a sale and leaseback transaction with Ship Finance, under which Old Seadrill sold the jack-up rig "Seadrill 3" for a consideration of USD 210 million and a leaseback to Old Seadrill for a 15 years' period. Further, Old Seadrill was given a right to</li> </ul>

- repurchase the rig after three years or five uneven anniversaries thereafter until the end of the charter.
- In September, after further acquisition of shares in Eastern Drilling AS, Old Seadrill's ownership interest reached in total 60.43% of the share capital. To fund this acquisition, Old Seadrill completed a direct share issuance of NOK 1.8 billion.
- 2007
- During May and April Old Seadrill acquired the remaining shares of Eastern Drilling AS, which brought its ownership to 100% of the share capital.
  - In September, Old Seadrill established Seawell as an independent well services company based on its existing well services activities. In order to set up Seawell Limited on a standalone basis, new equity was raised through a private placement for USD 50 million. The private placement completed in October.
- 2008-2010
- In January 2008, Seawell acquired Noble Corporations North Sea platform drilling division for a purchase price of USD 54 million.
  - In March 2008, Old Seadrill acquired all of the outstanding shares in Peak Well Solutions AS for a purchase price of USD 85 million.
  - In April 2008, Old Seadrill acquired 9.5% of the share capital of Pride.
  - In April 2008, Old Seadrill acquired additional shares in Scorpion Offshore Limited, which brought its total ownership to 36% of the share capital. Through a mandatory share offering, Old Seadrill's ownership further increased to 39.6% of the share capital.
  - In May 2008, Seawell acquired the company Tecwel AS for a purchase price of USD 34 million.
  - In September 2008, Old Seadrill acquired 22.7% of the total outstanding shares of SapuraCredit. The purchase price was USD 124 million.
  - In May 2010, Old Seadrill acquired the majority shareholding in Scorpion, which increased the fleet by seven jack-ups built between 2007 and 2010.
  - In August 2010, Seawell acquired Rig Inspection Services Limited for a purchase price of USD 9.4 million.
  - In August 2010, Seawell announced a merger with Allis-Chalmers in a transaction valued at approximately USD 890 million. As a result, Old Seadrill's investment in Seawell was reduced to 36.5% and the investment was deconsolidated and recognized as an associated company. The merger was completed in February 2011.
  - In December 2010, Seawell acquired Gray Wireline Service Inc. for a purchase price of USD 160.5 million.
- 2011
- NADL, being a wholly owned subsidiary of Old Seadrill that focuses on harsh environment offshore drilling operations, was formed. Five existing harsh environment units and one newbuild contract was transferred from Old Seadrill to NADL. Old Seadrill retained 75% ownership after a private placement.
- 2012
- In January, Old Seadrill raised NOK 1,250 million through the issuance of a two-year senior unsecured bond. The bond is listed on the Oslo Stock Exchange.
  - In February, Old Seadrill disposed of its 2.5% holding in EnSCO Plc.
  - On 27 March, NADL completed a private placement, raising USD 300 million. The proceeds were used to finance the first yard instalment for a newbuild harsh environment semi-submersible. Old Seadrill purchased 5 million shares in this private placement. Old Seadrill's ownership interest was reduced from 77% to 73%
  - In May, SapuraCrest and Kencana Petroleum BHD merged into a new entity, Sapura Energy Berhard. As a consequence of this merger, Old Seadrill's equity interest was diluted and the investment was changed from an associated company to a marketable security.
  - On 18 October, Seadrill Partners LLC, Old Seadrill's then wholly owned subsidiary, launched an initial public offering in the United States of 10,062,550 common units. Old Seadrill owned 75.7% of the outstanding limited liability company interest in Seadrill Partners.
  - In November, after a series of share acquisitions, Old Seadrill's ownership interests in AOD increased to 66.23%.
  - On 12 December, NADL publicly submitted its registration statement to the SEC (as defined below) for the purpose of registering its common shares under the U.S. Securities Act.
- 2013
- On 25 March, Old Seadrill and the other major shareholder of AOD, Mermaid Maritime Plc, signed a shareholder resolution that changed the board of directors composition in favor of Old Seadrill. Old Seadrill obtained control of the board of directors, and at the same time owned 66.18% of the outstanding shares. As a result of Old Seadrill obtaining control of AOD, the results and financial position of the company were consolidated.
  - In April, Old Seadrill completed the sale of the entities that own and operate 18 tender rigs to Sapura Energy Berhard for an enterprise value of USD 2.9 billion. Old Seadrill used

the proceeds from the transaction to repay indebtedness and further grow its premium ultra-deepwater and jack-up segments. The sale included the following tender rigs: T-4, T-7, T-11, T-12, West Alliance, West Berani, West Jaya, West Menang, West Pelaut, West Setia, and the newbuild rigs T-17, T-18, and West Esperanza. In addition, its 49% ownership in Varia Perdana and Tioman Drilling was sold as part of this transaction, which included the following rigs: T-3, T-6, T-9, T-10, and the Teknik Berkat.

- In June, Old Seadrill entered into arrangements to purchase additional 120,065,464 shares in Sevan Drilling. This transaction was settled on 2 July. Following the settlement, Old Seadrill obtained control over 50.10% of the total outstanding shares of Sevan Drilling. Sevan Drilling became a consolidated company of Old Seadrill as a result of this acquisition. Further, Old Seadrill was subsequently required to make a mandatory offer in accordance with the Oslo Stock Exchange's rules for the remaining shares in Sevan Drilling in the amount of NOK 3.95 per share. As a result of the offer, Old Seadrill obtained additional 47,394 shares, bringing its total interest in Sevan Drilling to 50.11%.
- On 9 December, Seadrill Partners closed a public offering of 12,880,000 common units. Old Seadrill purchased directly from Seadrill Partners 3,394,916 common units. After this transaction, Old Seadrill owned 62.4% of the outstanding limited liability interests which included Seadrill Partners' outstanding common and subordinated units.
- During 2013, Old Seadrill sold entities that operate and own the tender rigs T-15, T-16 and semi-submersible rigs West Leo, West Sirius to subsidiaries of Seadrill Partners. As of 31 December, Seadrill Partners was a consolidated subsidiary and these transactions were between entities under common control and therefore no gain was recorded on the sales.

2014

- In January, Old Seadrill completed its initial public offering of NADL on the NYSE.
- In January, Old Seadrill deconsolidated Seadrill Partners from its consolidated financial statements.
- On 18 February, Old Seadrill announced the establishment of SeaMex Ltd., a 50/50 joint venture with an investment fund controlled by Fintech Advisory Inc.
- On 21 February, Seadrill Partners closed on a USD 1.8 billion Term Loan B with a USD 100 million revolving credit facility. The term loan was agreed to bear an interest of LIBOR plus 3% and will become due in February 2021. Subsequently, Old Seadrill repaid in full the existing USD 1,500 million facility and the West Leo portion of the USD 1,121 million facility.
- On 6 March, Old Seadrill completed a 1,500 million Swedish kronor senior unsecured bond issue with maturity in March 2019.
- On 17 March, Seadrill Partners issued 10,400,000 common units representing liability company interests in a public offering at a price of USD 30.60 per common unit. In addition, and concurrently with the closing of the public offering, Old Seadrill agreed to purchase directly from Seadrill Partners, 1,633,987 common units at a price of USD 30.60 per unit. As a result of this transaction, Old Seadrill's ownership interest in Seadrill Partners was 53.2%.
- On 21 March, Old Seadrill completed the sale of the entities that owned and operated West Auriga to Seadrill Capricorn Holdings LLC, a 49% owned subsidiary of Old Seadrill and 51% owned by Seadrill Partners. The total implied purchase price was USD 1.24 billion.
- In May, Old Seadrill entered into an investment and co-operation agreement with NADL and Rosneft Oil Company to pursue onshore and offshore growth opportunities in the Russian market.
- On 17 July, Old Seadrill sold a 28% interest in Seadrill Operating LP, a limited partnership controlled by Seadrill Partners, for USD 373 million to Seadrill Partners. Following this sale, Old Seadrill owned a 42% interest in Seadrill Operating LP.
- On 4 November, Old Seadrill completed the sale of the entities that owned and operated West Vela to Seadrill Capricorn Holdings LLC, 49% owned by Old Seadrill and 51% owned by Seadrill Partners. The total initial consideration for the transaction was USD 900 million.
- In December 2014, Old Seadrill exercised a purchase option for West Polaris, an ultra-deepwater drillship, from Ship Finance. West Polaris was acquired from Old Seadrill by Ship Finance in 2008 and subsequently bareboat chartered to Old Seadrill with purchase options that commenced in 2012. The purchase option price was USD 456 million and total consideration payable to Ship Finance was USD 111 million after debt, which was settled in January 2015.
- Old Seadrill sold a portion of its investment in Sapura Energy Berhard and received proceeds of USD 297 million, net of transaction costs. As a result of the sale, a gain of USD 131 million was recognized. As a result of this transaction, Old Seadrill's ownership interest in Sapura Energy Berhard's outstanding common shares was 8.18%.

2015

- In 2015, Old Seadrill sold the entities that owned and operated West Polaris to Seadrill Operating LP (a consolidated subsidiary of Seadrill Partners and an entity in which Old Seadrill owned a 42% limited partnership interest).
- On 10 March, Fintech Advisory Inc. subscribed for a 50% ownership interest in SeaMex, a joint venture that owned and operated five jack-up drilling units located in Mexico under contract with Pemex, which was previously owned 100% by Old Seadrill. Subsequently, Old Seadrill deconsolidated SeaMex from its consolidated financial statements.

- In August, Samsung agreed to postpone the delivery of West Dorado and West Draco until the end of the first quarter of 2017, and Dalian agreed to defer one jack-up rig until the end of December 2015, five jack-up rigs to 2016 and two jack-up rigs to 2017.
  - On 14 September, Old Seadrill cancelled the construction contract for West Mira due to HSHI's inability to deliver the unit within the timeframe required under the contract, which thereby caused Husky to terminate the five-year drilling contract for the unit with Old Seadrill.
  - On 30 October, Old Seadrill mutually agreed with Cosco to exercise the first six-month option to extend the deferral agreement for the delivery of the Sevan Developer. In addition, on 15 April, Old Seadrill exercised its second six-month deferral option, until 15 October. Sevan Drilling and Cosco had two remaining six-month deferral options available.
- 2016
- On 15 January, Old Seadrill entered into an agreement with DSME to defer the delivery of two ultra-deepwater drillships, the West Aquila and West Libra, until the second quarter 2018 and the first quarter of 2019, respectively.
  - On 18 April, Old Seadrill entered into agreements with Dalian to further defer the deliveries of all eight jack-up rigs under construction, which were previously due for delivery in 2016 and 2017. Following this latest deferral agreement, one unit was scheduled for delivery to Old Seadrill at the end of 2016, four units were scheduled for delivery in 2017, and three units were scheduled for delivery in 2018.
  - On 27 April, Old Seadrill sold its investment in shares of Sapura Energy Berhard, which resulted in net cash proceeds of approximately USD 195 million.
- 2017
- In March, Old Seadrill reached a settlement with HSHI with regards to West Mira.
  - In April, Old Seadrill sold all of its investment in shares of Sapura Energy Berhard.
  - In April, as part of Archer's restructuring plans, Old Seadrill agreed to convert USD 146 million, including accrued interest and fees, in subordinated loans provided to Archer into a USD 45 million subordinated convertible loan with an interest rate of 5.5% and maturity in December 2021 (conversion right into equity in 2021).
  - In April, Old Seadrill reached an agreement with Shelf Drilling to sell West Triton, West Mischief and West Resolute, where West Triton and West Resolute were delivered in May and West Mischief was delivered in September.
  - On 27 April, the final delivery deferral agreement for the Sevan Developer was deferred to 31 May to finalize negotiations.
  - On 12 September, for the purpose of implementing the restructuring transactions described above regarding the Chapter 11 corporate reorganization, Old Seadrill together with certain of its subsidiaries commenced pre-arranged reorganization proceedings under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court.
  - In October, NADL's common stock on the NYSE was delisted as a result of the Chapter 11 proceedings.
  - In October, the Oslo Stock Exchange suspended trading in Sevan Drilling's common stock.
- 2018
- On 5 April, Old Seadrill entered into a settlement and release agreement with Jurong in respect of West Rigel, whereby Old Seadrill agreed that the share of proceeds from the sale of the West Rigel by Jurong would be USD 126 million.
  - On 17 April, Old Seadrill announced that the Plan was confirmed by the Bankruptcy Court, and that emergence from the Chapter 11 Proceedings was expected within 60-90 days.
  - On 2 July 2018, the Debtors' emerged from the Chapter 11 Proceedings and Seadrill became the ultimate parent company of the Group.
  - On 3 July 2018, trading in the Shares commenced with new CUSIP number G7998G 106 on the NYSE under the ticker "SDRL".

## 8.5 Property, plants and equipment

### 8.5.1 Property

The Group has operating leases to its premises, the most significant being the Group's offices in Stavanger and Oslo in Norway, Singapore, Houston in the United States, Rio de Janeiro in Brazil, Dubai in the United Arab Emirates and Aberdeen, Liverpool and London in the United Kingdom. These offices are leased, and in the years ended 31 December 2017, 2016 and 2015 the aggregate office operating costs were USD 19 million, USD 17 million and USD 23 million, respectively.

As the Group rents its office spaces, there are no encumbrances on the Group's premises and property at the date of this Prospectus.

The future minimum rental payments for the above mentioned office spaces as at 31 March 2018 are as follows:

Year	Amount (in USD millions)
2018	9
2019	8
2020	7
2021	7
2022	5
2023 and thereafter	2
<b>Total</b>	<b>38</b>

#### 8.5.2 Drilling units and newbuildings

As at 31 March 2018, the Group's fleet comprised of 35 offshore drilling units consisting of 7 drillships, 12 semi-submersible rigs and 16 jack-up rigs in operation, and contracts for the construction of 8 jack-up rigs and an option to acquire 1 semi-submersible rig. Of the Group's fleet, 18 were idle as of 31 March 2018.

The operation of the Group's drilling units require certain governmental approvals, whereas the required approvals depends on the relevant jurisdiction. All of the Group's drilling units are registered as a marine vessel and must be "classed" by a classification society to fly a flag. The classification society certifies that the drilling unit is "in-class", signifying that such drilling unit has been built and maintained in accordance with the rules of the classification society and complies with applicable laws rules and regulations of the drilling unit's country of registry and the international conventions of which that country is a member. The Group's drilling units are certified as being "in class" by the ABS, DNV GL and the relevant national authorities in the countries in which the Group's drilling units operate. The Group's drilling units must generally undergo a class survey once every five years. In addition, the Group's rigs are subject to the maintenance and inspection regime governed by the Code for the Construction and Equipment of Mobile Offshore Drilling Unites (the "**MODU Code**"). If any drilling unit loses its flag, does not maintain its class and/or fails any periodical survey or special survey, the drilling unit will be unable to carry on operations and will be unemployable and uninsurable. Further, the Group's utilization of its drilling units require that it complies with prevailing laws, regulations and standards. Compliance with any such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lifetime of the Group's drilling units. Reference is made to Section 8.11 "Regulation" below for more information on environmental issues that may affect the Group's utilization of its drilling units, as well as Section 2.1 "Risks relating to the Group and the industry in which it operates" regarding risk related to the Group's compliance with laws, regulations and standards in the jurisdictions in which it operates.

The total book value of the Group's drilling units and newbuildings as at 31 March 2018 amounted to USD 13,077 million and USD 249 million, respectively, including capital spares. The total book value of the Group's drilling units and newbuildings at the Effective Date is expected to be adjusted for the effects of fresh-start accounting and this is expected to significantly reduce the book value of the drilling units and newbuildings. Reference is made to Section 11 "Unaudited pro forma condensed consolidated financial statements" for a discussion of the expected effects of fresh-start accounting.

For a discussion of the securities pledged on the Group's drilling units, please see Section 12.5.2 "Summary of the Group's borrowing activities". The table below sets forth the drilling units that the Group owns or that are under construction as at 31 March 2018. Drilling units that are "Available" include drilling units that may be hold cold or warmed stacked.

	Unit name	Year built	Water depth (feet)	Drilling depth (feet)	Area of location	Month of contract expiry
<b>Jack-up rigs</b>						
1.	West Epsilon	1993	400	30,000	Norway	Available
2.	West Prospero	2007	400	30,000	Malaysia	Available
3.	West Vigilant	2008	350	30,000	Malaysia	Available
4.	West Ariel	2008	400	30,000	United Arab Emirates	Available
5.	West Freedom	2009	350	30,000	Colombia	Available
6.	West Cressida	2009	375	30,000	Malaysia	Available
7.	West Callisto	2010	400	30,000	Saudi Arabia	November 2018
8.	West Leda	2010	375	30,000	Malaysia	Available
9.	West Elara	2011	450	40,000	Norway	September 2027

	Unit name	Year built	Water depth (feet)	Drilling depth (feet)	Area of location	Month of contract expiry
10.	West Castor	2013	400	30,000	Mexico	June 2018
11.	West Telesto	2013	400	30,000	Malaysia	Available
12.	West Tucana	2013	400	30,000	United Arab Emirates	Available
13.	AOD-1 <sup>(2)</sup>	2013	400	30,000	Saudi Arabia	June 2019
14.	AOD-2 <sup>(2)</sup>	2013	400	30,000	Saudi Arabia	July 2019
15.	AOD-3 <sup>(2)</sup>	2013	400	30,000	Saudi Arabia	December 2019
16.	West Linus <sup>(4)</sup>	2014	450	40,000	Norway	December 2028
17.	West Titan <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
18.	West Proteus <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
19.	West Rhea <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
20.	West Hyperion <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
21.	West Tethys <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
22.	West Umbriel <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
23.	West Dione <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction
24.	West Mimas <sup>(1)</sup>	N/A	400	30,000	Dalian Shipyard (China)	Under construction

#### Semi-submersible rigs

25.	West Alpha	1986	2,000	23,000	Norway	Available
26.	West Venture	2000	2,600	30,000	Norway	Available
27.	West Phoenix	2008	10,000	30,000	UK/Norway	March 2021
28.	West Hercules <sup>(4)</sup>	2008	10,000	35,000	UK/Norway	November 2018
29.	West Taurus <sup>(4)</sup>	2008	10,000	35,000	Spain	Available
30.	West Eminence	2009	10,000	30,000	Spain	Available
31.	Sevan Driller	2009	10,000	40,000	Malaysia	Available
32.	West Orion	2010	10,000	35,000	Malaysia	Available
33.	West Pegasus	2011	10,000	35,000	Spain	Available
34.	West Eclipse	2011	10,000	40,000	Angola	June 2018
35.	Sevan Brasil	2012	10,000	40,000	Brazil	July 2018
36.	Sevan Louisiana	2013	10,000	40,000	USA	Available
37.	Sevan Developer <sup>(1)(3)</sup>	N/A	10,000	40,000	Cosco Shipyard (China)	Under construction

#### Drillships

38.	West Navigator	2000	7,500	35,000	Norway	Available
39.	West Gemini	2010	10,000	35,000	Angola	October 2018
40.	West Tellus	2013	12,000	40,000	Brazil	October 2019
41.	West Neptune	2014	12,000	40,000	USA	November 2018
42.	West Jupiter	2014	12,000	40,000	Nigeria	December 2019
43.	West Saturn	2014	12,000	40,000	Brazil	October 2018
44.	West Carina	2015	12,000	40,000	Brazil	June 2018

(1) Newbuild under construction.

(2) Owned by AOD, in which the Group has an ownership of 66.2% of the outstanding shares.

(3) Newbuild where the Group has an option to purchase.

(4) Owned 100% by Ship Finance International Limited and leased back under bareboat charter agreements. These units are consolidated in the Financial Statements as variable interest entities (VIEs).

## 8.6 Material contracts

### 8.6.1 Key contracts

#### Rig contracts

The table below summarizes the key terms of the Group's rig contracts for the rigs in operation as at 31 March 2018. The firm order backlog from these rig contracts amounted to in total USD 2.43 billion as at 31 March 2018.

	West Callisto	West Castor	AOD-1	AOD-2
Area of operation	Saudi Arabia	Mexico	Saudi Arabia	Saudi Arabia
Client	Saudi Aramco	ENI	Saudi Aramco	Saudi Aramco
Commencement date	January 2017	January 2018	July 2016	July 2016



<b>Contract term (firm)</b>	November 2018	June 2018	June 2019	June 2019
<b>Option to extend contract term</b>	Not applicable	Not applicable	Not applicable	Not applicable
<b>Day rate</b>	USD 120,000	Undisclosed	USD 102,900	USD 102,900
	<b>AOD-3</b>	<b>West Linus</b>	<b>West Eclipse</b>	<b>Sevan Brasil</b>
<b>Area of operation</b>	Saudi Arabia	Norway	Angola	Brazil
<b>Client</b>	Saudi Aramco	ConocoPhillips	ExxonMobil	Petrobras
<b>Commencement date</b>	January 2017	April 2017	June 2016	July 2012
<b>Contract term (firm)</b>	December 2019	December 2028	June 2018	July 2018
<b>Day rate</b>	USD 102,900	April 2017 to March 2018: USD 307,000 April 2018 – May 2019: USD 205,000 From June 2019 going forward: Market indexed rate	USD 340,000	USD 265,000
	<b>West Gemini</b>	<b>West Tellus</b>	<b>West Neptune</b>	<b>West Jupiter</b>
<b>Area of operation</b>	Angola	Brazil	USA	Nigeria
<b>Client</b>	ENI	Petrobras	LLOG	Total
<b>Commencement date</b>	January 2018	April 2015	December 2017	December 2014
<b>Contract term (firm)</b>	July 2018	October 2019	July 2018	December 2019
<b>Option to extend contract term</b>	Not applicable	Not applicable	Not applicable	Not applicable
<b>Option to extend contract term</b>	4 optional wells	Not applicable	2 optional wells	Not applicable
<b>Day rate</b>	Undisclosed	USD 325,000	USD 155,000	Undisclosed
	<b>West Saturn</b>	<b>West Carina</b>	<b>West Elara</b>	<b>West Telesto</b>
<b>Area of operation</b>	Brazil	Brazil	Norway	India
<b>Client</b>	Statoil	Petrobras	ConocoPhillips	Schlumberger
<b>Commencement date</b>	February 2018	June 2015	May 2018	April 2018
<b>Contract term (firm)</b>	June 2018	June 2018	September 2027	September 2018
<b>Option to extend contract term</b>	7 optional wells	Not applicable	Not applicable	Optional work scope is to be completed by 31 December 2019
<b>Day rate</b>	USD 206,000 Option rate of USD 206,000 applies for the 3 first option wells, thereafter the rate increases by USD 5,000 per day per option for the remaining 4 option wells	USD 481,000	May 2018 – October 2018: USD 95,000 October 2018 – March 2020: USD 195,000 From April 2020 going forward: Market indexed rate	Undisclosed
	<b>West Phoenix</b>	<b>West Hercules</b>	<b>West Cressida</b>	
<b>Area of operation</b>	UK	UK	Thailand	
<b>Client</b>	Anasuria	Siccar Point Energy	Ophir	
<b>Commencement date</b>	May 2018	April 2018	July 2018	

<b>Contract term (firm)</b>	July 2018	July 2018	September 2018	
<b>Option to extend contract term</b>	Not applicable	Not applicable	1 well (after the fixed term period) 14 wells in 2019 (estimated commencement date in July 2019)	
<b>Day rate</b>	Undisclosed	Undisclosed	Undisclosed	

The table below summarizes the key terms of the Group's rig contracts under which operations have not yet commenced:

	<b>West Phoenix</b>	<b>West Phoenix</b>	<b>West Phoenix</b>	<b>West Hercules</b>
<b>Area of operation</b>	Norway	UK	Norway	Norway
<b>Client</b>	Statoil	Statoil	VNG	Statoil
<b>Commencement date</b>	August 2018	November 2018	January 2020	August 2018
<b>End of contract term (firm period)</b>	October 2018	January 2019	October 2020	December 2018
<b>Options to extend contract term</b>	Not applicable	Not applicable	3 optional wells prior to the fixed term period 3 optional wells after the fixed term period	Not applicable
<b>Day rate</b>	Undisclosed	Undisclosed	Undisclosed	Undisclosed

#### 8.6.2 Material contracts entered into outside the ordinary course of business

Other than as mentioned in this Section 8.6.2 "Material contracts entered into outside the ordinary course of business", no company in the Group has entered into any material contract outside the ordinary course of business for the two years prior to the date of this Prospectus. Further, no company in the Group has entered into any other contract outside the ordinary course of business which contains any provision under which any member of the Group has any material obligation or entitlement.

#### *Omnibus Agreement*

The Omnibus Agreement was entered into by and among Old Sadrill, Sadrill Partners, Sadrill Member LLC, Sadrill Operating LP, Sadrill Operating GP LLC and Sadrill Capricorn Holdings LLC, dated as at 24 October 2012. The Omnibus Agreement outlines the following provisions: (i) a non-competition agreement with Sadrill Partners for any drilling rig operating under a contract for five or more years; (ii) rights of first offer on any proposed sale, transfer or other disposition of drilling rigs; (iii) rights of first offer on any proposed transfer, assignment, sale or other disposition of any equity interest in Sadrill Operating LP, Sadrill Capricorn Holdings LLC and Sadrill Partners Operating LLC (the "OPCO"); and indemnification – Old Sadrill agreed to indemnify Sadrill Partners against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to Sadrill Partners, and also certain tax liabilities. Reference is made to Exhibit 4.4. of Old Sadrill's annual report on Form 20-F, filed on 21 April 2015 and incorporated hereto by reference, for further information on the agreement which has been novated from Old Sadrill to Sadrill.

#### *The Restructuring Support and Lock-up Agreement (the RSA) and Investment Agreement*

Reference is made to Section 5 "The Chapter 11 Reorganization" for further information about the agreement entered into in order to restructure Old Sadrill's secured credit facilities and unsecured liabilities and recapitalize its balance sheet with new capital (the RSA) and the related Investment Agreement.

### 8.7 Employees

As at 31 March 2018, the Group had 4,637 employees, which included contracted-in staff. In addition to employees working on the rigs, certain employees are involved in providing management services to the associated companies in which the parent holding company of the Group holds investments, including Sadrill Partners. Employees involved

in providing management services are not directly related to the Group's operating or reporting segments and are presented under the "Other" category below. The number of employees has decreased during the year ended 31 December 2017 as a result of the decrease in the operating fleet of drilling units.

The table below shows the development in the numbers of employees (including contracted-in staff) for the years ended 31 December 2017, 2016 and 2015, including as at 31 March 2018.

<i>Total employees (including contracted-in staff)</i>	<b>As at</b>	<b>Year ended</b>		
	<b>31 March</b>	<b>31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating segments</b>				
Floaters .....	1,738	1,484	1,710	2,995
Jack-up rigs .....	1,003	938	1,230	2,075
Other .....	1,093	1,221	1,100	1,755
Corporate .....	803	685	740	170
<b>Total employees</b> .....	<b>4,637</b>	<b>4,328</b>	<b>4,780</b>	<b>6,995</b>
<b>Geographical location</b>				
Norway .....	557	510	600	1,080
Rest of Europe .....	521	235	210	170
North America and Mexico .....	1,033	1,095	1,100	1,535
South America .....	816	742	600	1,145
Asia Pacific .....	496	462	450	575
Africa and Middle East .....	1,214	1,284	1,820	2,490
<b>Total employees</b> .....	<b>4,637</b>	<b>4,328</b>	<b>4,780</b>	<b>6,995</b>

### 8.8 Dependency on contracts, patents and licenses

It is the Company's opinion that the Group's existing business or profitability is not dependent upon any contracts other than commercial contracts as further described in Section 8.6.1 "Key contracts", the newbuild purchase commitments with Dalian as described in Section 12.8 "Off-balance sheet arrangements", the material agreements entered into outside the ordinary course of business, as further described in Section 8.6.2 "Material contracts entered into outside the ordinary course of business" and the financing agreements, as further described in Section 12.5.2 "Overview of the Group's borrowings".

It is further the opinion of the Company that the Group's existing business or profitability is not dependent on any patents or licenses.

### 8.9 Litigation and disputes

From time to time, the Company and other companies in the Group, as a party, plaintiff or defendant, are involved in litigation, disputes and other legal proceedings arising in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the construction or operation of its drilling units, in the normal course of its business or in connection with acquisition activities. The Company believes that the resolution of ongoing claims will not have a material adverse effect in the Group's operations or financial condition, either individually or in the aggregate.

On 3 July 2018, Seadrill Partners, the Master Limited Partnership that the Company established in 2012 and in which it holds approximately a 46.6% interest in, was awarded a \$273 million settlement from the English High Court following a dispute with Tullow Ghana Limited in relation to the early termination of the West Leo. On 18 July 2018 it was announced by Seadrill Partners that Tullow Ghana Limited would not be appealing this ruling and that they had received USD 248 million, being the settlement inclusive of interest but net of withholding tax, VAT and legal expenses.

During the course of the preceding twelve months, the Group has not been involved in any other material litigation or legal proceedings.

### 8.10 Health, safety and environment

Quality, health, safety and environment are integral parts of the Group's activities and important focus areas for the Group when carrying out its operations. As such, the Group continually strives to create a safe and efficient workplace

where nobody gets hurt, both with regard to its employees and toward the environment. Information on the Group's focus areas in this regard is set out below.

#### *Quality*

The Group has in place systems that ensure systematic verifications of the conditions of its assets, management systems and barriers that are carried out throughout the organization's operations. The Group works systematically to continuously improve its performance, to comply with laws and regulations and to manage risk. The Group provides its employees with resources, equipment and training to deliver according to their designated responsibilities. Work processes, goals and performance indicators to control, measure and improve work performance have been implemented in this regard. Further, the Group also has in place systems for risk management and emergency preparedness.

#### *Safety*

The Group's paramount concern is that none of its employees get hurt at work when they are performing their respective tasks and responsibilities, and therefore plan its operations to ensure safe execution. To achieve this, all employees of the Group must demonstrate safe behavior every day. In order to take responsibility for the Group's and others' safety, planning and implementation tools have been introduced as integral parts of the Group's operations, and aid employees when carrying out necessary inspections and maintenance of the Group's equipment.

If unsafe acts and conditions occur, then the Group's policy is to stop its operations to enable immediate reactions. As another preventive measure, the Group carries out its operations within the limits and capacity of the equipment. In addition, the Group risk-assesses its tasks and discusses them with the parties involved. Should an accident occur, then the Group thoroughly investigates the reason for such accidents for the purposes of learning how similar accidents can be avoided in the future.

#### *Health*

The Group aims for a safe and inspiring working environment, characterized by mutual respect and cooperation. The establishment and maintenance of a healthy working environment throughout the organization is a focus area for the Group. This is not only important for the Group to properly carry out its operations but also provides job satisfaction for the people involved in the Group's business. In order to meet the healthy working environment goal, the Group strives to ensure that its workforce is fit for duty through the hiring process and during return-to-work after absence. In addition, the Group continually monitor its employee's health in job-related risks.

#### *Environment*

An important and overall goal for the Group is to prevent accidental discharges and emissions through its operations, and the Group works actively to reach this goal. Efficient technologies to reduce the potential negative environmental impact of the Group's existing operations have been implemented. Moreover, the Group has also implemented measures to ensure that its operations are compliant with internal and external requirements and the expectations of governmental authorities, customers and partners. The Group has a proactive business model in the sense that it has emergency plans in place to limit the harm to the environment in the event of an accidental spill. For more information on environmental regulation on the Group's operations please see Section 8.11 "Regulation" below.

### **8.11 Regulation**

The Group's operations are subject to numerous laws and regulations in the form of international treaties and maritime regimes, flag state requirements, national and international environmental laws and regulations, navigation and operating permits requirements, local content requirements, and other national, state and local laws and regulations in force in the jurisdictions in which the Group's drilling units operate or are registered, which can significantly affect the ownership and operation of the Group's drilling units. Reference is made to Section 2.1 "Risks relating to the Group and the industry in which it operates" for information on key risk factors related to laws and regulations, including environmental laws and regulations, which may add costs to the Group, expose the Group's liability or limit its drilling activity.

#### *Flag state requirements*

All of the Group's drilling units are subject to regulatory requirements of the flag state where the drilling unit is registered. The flag state requirements are international maritime requirements and in some cases further interpolated by the flag state itself. These include engineering, safety and other requirements related to the maritime

industry. In addition, each of the Group's drilling units must be "classed" by a classification society. The classification society certifies that the drilling rig is "in-class", signifying that such drilling rig has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the flag state and the international conventions of which that country is a member. Maintenance of class certification requires expenditure of substantial sums, and can require taking a drilling unit out of service from time to time for repairs or modifications to meet class requirements. The Group's drilling units must generally undergo a class survey once every five years. In addition, for some of the internationally-required class certifications, such as the Code for the Construction and Equipment of Mobile Offshore Drilling Units (the "**MODU Code**") certificate, the classification society will act on a flag state's behalf.

#### *International maritime regimes*

Applicable international maritime regime requirements include, but are not limited to, MARPOL, the CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage of 2001 (ratified in 2008), or the Bunker Convention, SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, MODU Code, and BWM Convention. These various conventions, amongst other things, regulate emissions and discharges to the environment from the Group's drilling units worldwide, and the Group may incur costs to comply with these regimes and continue to comply with these regimes as they may be amended in the future. In addition, these conventions impose liability for certain discharges, including strict liability in some cases.

Annex VI to MARPOL sets limits on sulfur dioxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. Annex VI applies to all ships and, among other things, imposes a global cap on the sulfur content of fuel oil and allows for specialized areas to be established internationally with even more stringent controls on sulfur emissions. For vessels 400 gross tons and greater, platforms and drilling rigs, Annex VI imposes various survey and certification requirements. Moreover, recent amendments to Annex VI require the imposition of progressively stricter limitations on sulfur emissions from ships. Since January 1, 2015, these limitations have required that fuels of vessels in covered ECA contain no more than 0.1% sulfur, including the Baltic Sea, North Sea, North America and United States Sea ECAs. For non-ECA areas, the sulfur limit in marine fuel is capped at 3.5%, which will then decrease to 0.5% on 1 January 2020 subject to a feasibility review. The amendments also establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. All of the Group's rigs are in compliance with these requirements.

The BWM Convention calls for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with a requirement for mandatory ballast water treatment. The BWM Convention entered into force on 8 September 2017. Under its requirements, for units with ballast water capacity more than 5,000 cubic meters that were constructed in 2011 or before, only ballast water treatment will be accepted by the BWM Convention. All of the Group's units considered in operational status are in full compliance with the staged implementation of the BWM Convention by IMOS' guidelines.

#### *Environmental laws and regulations*

Applicable environmental laws and regulations include Norwegian PSA Framework, Management and Facilities Regulations, OPA, CERCLA, the U.S. Clean Water Act, ("**CWA**"), the U.S. Clean Air Act, ("**CAA**"), the U.S. Outer Continental Shelf Lands Act ("**OCSLA**"), MTSA, EU regulations, including the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations, and Brazil's National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Federal Law (9966/2000) relating to pollution in Brazilian waters. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering the Group liable for environmental and natural resource damages without regard to negligence or fault on the Group's part. Implementation of new environmental laws or regulations that may apply to ultra-deepwater drilling units may subject the Group to increased costs or limit the operational capabilities of its drilling units and could materially and adversely affect its operations and financial condition. See information provided in Section 2.1 "Risks relating to the Group and the industry in which it operates" for more information on risks inherent to environmental laws and regulations.

#### *Safety requirements*

The Group's operations are subject to special safety regulations relating to drilling and to the oil and gas industry in many of the countries where it operates. The United States undertook substantial revision of the safety regulations applicable to the Group's industry following the 2010 Deepwater Horizon incident, in which the Group was not involved, that led to the Macondo well blow out situation. Other countries are also undertaking a review of their

safety regulations related to the industry in which the Group operates. These safety regulations may impact the Group's operations and financial results by adding to the costs of exploring for, developing and producing oil and gas in offshore settings. For instance, in April 2016, BSEE published a final rule that sets more stringent design requirements and operational procedures for critical well control equipment used in offshore oil and gas drilling. The rule adds new requirements and amends existing ones to, among other things, set new baseline standards for the design, manufacture, inspection, repair and maintenance of blow-out preventers and the use of double shear rams. The rule contains a number of other requirements, including third-party verification and certifications, real-time monitoring of deepwater and certain other activities, and sets criteria for safe drilling margins. In December 2017, BSEE proposed to revise or eliminate certain of the requirements under the rule. To the extent these requirements remain in effect, they are likely to increase the costs of the Group's operations and may lead its customers to not pursue certain offshore opportunities because of the increased costs, delays and regulatory risks. In July 2016, BOEM issued a final Notice to Lessees and Operators substantially revising and making more stringent supplemental bonding procedures for the decommissioning of offshore wells, platforms, pipelines, and other facilities. In June 2017, BOEM announced that the implementation timeline would be extended, except in circumstances where there is a substantial risk of nonperformance of such obligations. In addition, in December 2015, BSEE announced that it is launching a pilot risk-based inspection program for offshore facilities. New requirements resulting from the program may cause the Group to incur costs and may result in additional downtime for the Group's drilling units in the U.S. Gulf of Mexico. Also, if material spill events similar to the Deepwater Horizon incident were to occur in the future, the United States or other countries could elect to again issue directives to temporarily cease drilling activities and, in any event, may from time to time issue additional safety and environmental laws and regulations regarding offshore oil and gas exploration and development. The EU has also undertaken a significant revision of its safety requirements for offshore oil and gas activity through the issuance of the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations.

#### *Navigation and operating permit requirements*

Numerous governmental agencies issue regulations to implement and enforce the laws of the applicable jurisdiction, which often involve lengthy permitting procedures, impose difficult and costly compliance measures, particularly in ecologically sensitive areas, and subject operators to substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Some of these laws contain criminal sanctions in addition to civil penalties.

#### *Local content requirements*

Governments in some countries have become increasingly active in local content requirements on the ownership of drilling companies, local content requirements for equipment utilized in the Group's operations, and other aspects of the oil and gas industries in their countries. These regulations include requirements for participation of local investors in the Company's local operating subsidiaries in countries such as Angola and Nigeria. There are also local content requirements in relation to drilling unit contracts in which the Group is participating in Brazil, although Brazil recently lessened local content requirements for future projects. Although these requirements have not had a material impact on the Group's operations in the past, they could have a material impact on the Group's earnings, operations and financial condition in the future.

#### *Other laws and regulations*

In addition to the requirements described above, the Group's international operations in the offshore drilling segment are subject to various other international conventions and laws and regulations in countries in which the Group operates, including laws and regulations relating to the importation of, and operation of, drilling units and equipment, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. There is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

### **8.12 Intellectual property**

The Group does not have any material intellectual property.

### **8.13 Insurance**

The Group mitigates its exposure to the risks normally associated with its business through indemnification arrangements and insurance policies. The Group's insurance coverage is set out below.

*Physical damage insurance:*

The Group has hull and machinery insurance to cover physical damage to its drilling units. The Group retains the risk for the deductible relating to physical damage insurance on its fleet, which is at a maximum of USD 5 million per occurrence.

*Loss of Hire insurance:*

The Group also has insurance to cover loss of revenue for its operational rigs in the event of extensive downtime caused by physical damage to its drilling units where such damage is covered under its physical damage insurance. The loss of hire insurance has a deductible period of 60 days after the occurrence of physical damage. Thereafter, insurance policies according to which the Group is compensated for loss of revenue are limited to 290 days per event and aggregated per year. The daily indemnity will vary from 75% to 100% of the contracted dayrate. The Group retains the risk related to loss of hire during the initial 60 day period, as well as any loss of hire exceeding the number of days permitted under the insurance policy. If the repair period for any physical damage exceeds the number of days permitted under the loss of hire policy, the Group will be responsible for the costs in such period.

*Protection and Indemnity insurance:*

The Group also purchase protection and indemnity insurance and excess liability for personal injury liability for crew claims, non-crew claims and third-party property damage including oil pollution from the drilling units to cover claims of up to USD 900 million per event and in the aggregate. The Group retains the risk for the deductible of up to USD 25,000 per occurrence relating to protection and indemnity insurance, or up to USD 500,000 for claims made in the United States.

*Windstorm insurance:*

The Group has elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a combined single limit of USD 100 million in the annual aggregate, which includes loss of hire. The Group has renewed its policy to insure a limited part of this windstorm risk for a further period starting 1 May 2018 through 20 April 2019.

*Directors' and officers' liability insurance:*

The Company has purchased and maintain a directors' and officers' liability policy for the benefit of any director or officer in respect of any loss or liability attaching to him or her in respect of negligence, default, breach of duty or breach of trust.

## 9 CAPITALIZATION AND INDEBTEDNESS

The information presented below should be read in conjunction with the other parts of the Prospectus, in particular Section 10 "Selected financial information", Section 11 "Unaudited pro forma condensed consolidated financial statements" and Section 12 "Operating and financial review", and the Financial Statements and related notes incorporated hereto by reference (see Section 19.3 "Incorporation by reference").

### 9.1 Introduction

This Section provides information about the Group's unaudited capitalization and net financial indebtedness on an actual basis as at 31 December 2017 and, in the "As adjusted" column, the Group's unaudited capitalization and net financial indebtedness on an adjusted basis for Seadrill to give effect to the following material post-balance sheet events and effects adjustments as if they occurred on 31 December 2017 in accordance with the Pro Forma Financial Information (included in Section 11 "Unaudited pro forma condensed consolidated financial statements"): (i) all reorganization adjustments pursuant to the Plan (see Section 5 "The Chapter 11 Reorganization" for more information); and (ii) adjustments relating to the adoption of a fresh-start accounting in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 852, *Reorganizations*.

For information regarding the pro forma adjustments made, please refer to Section 11 "Unaudited pro forma condensed consolidated financial statements".

Other than the adjustments for the Reorganization and adjustments relating to the adoption of a fresh-start accounting in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 852, *Reorganizations*, there has been no material change to the Group's capitalization and net financial indebtedness since 31 December 2017.

### 9.2 Capitalization

<i>In USD millions</i>	<b>As at 31 December 2017</b>	<b>Pro forma Reorganization adjustments<sup>1</sup></b>	<b>Pro Forma fresh- start accounting adjustments<sup>1</sup></b>	<b>As adjusted</b>
	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Indebtedness</b>				
<i>Total current debt:</i>				
Guaranteed .....	-	-	-	-
Secured <sup>2</sup> .....	509	(509)	-	-
Unguaranteed/unsecured <sup>3</sup> .....	2,334	(2,334)	-	-
<i>Total non-current debt:</i>				
Guaranteed .....	-	-	-	-
Secured <sup>4</sup> .....	5,856	1,428	(230)	7,054
Unguaranteed/unsecured <sup>5</sup> .....	314	-	-	314
<b>Total indebtedness<sup>6</sup> .....</b>	<b>9,013</b>	<b>(1,415)</b>	<b>(230)</b>	<b>7,368</b>
<b>Shareholders' equity</b>				
Share capital .....	1,008	(1,000)	-	8
Other contributed .....	58	-	(58)	-
Other reserves .....	5,269	(5,077)	3,469	3,661
Retained earnings .....	225	9,952	(10,177)	-
<b>Total shareholders' equity .....</b>	<b>6,560</b>	<b>3,875</b>	<b>(6,766)</b>	<b>3,669</b>
<b>Total capitalization .....</b>	<b>15,573</b>	<b>2,460</b>	<b>(6,996)</b>	<b>11,037</b>

1 Reference is made to Section 11 "Unaudited pro forma condensed consolidated financial statements" for further information on the "pro forma Reorganization adjustments" and "pro forma fresh-start accounting adjustments".

2 This represents the AOD and SFL credit facilities which were not presented as subject to compromise in Old Seadrill's financial statements for the year ended 31 December 2017 as the subsidiaries holding these facilities did not file for bankruptcy under Chapter 11. The pro forma reorganization adjustments reflect the reclassification of these facilities to non-current debt to reflect the maturity extension under the plan effects. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" and Section 11 "Unaudited pro forma condensed consolidated financial statements" for further details.

3 Represents unsecured bond facilities which are equitized under the Plan and therefore these will not form part of the Group's borrowings from the Effective Date as reflected in the pro forma reorganization adjustments. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" for further details.

4 Represents secured credit facilities (including AOD and SFL), certain amounts of which were classified as liabilities subject to compromise in Old Seadrill's financial statements for the year ended 31 December 2017. The pro forma reorganization adjustments reflect the reclassification of the AOD and SFL facilities to non-current debt reflect the maturity extension under the plan effects, the reclassification of adequate protection payments



from reduction in the principal value of the senior secured credit facilities to expense, the USD 880 New Secured Notes issued on emergence, and the capitalization of lender consent and closing fees on the amended and newly issued debt. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" for further details. The pro forma fresh-start accounting adjustments reflect the estimated discount upon emergence of USD 260 million and the write off of unamortized debt issuance costs of USD 30 million. Reference is made to Section 11 "Unaudited pro forma condensed consolidated financial statements" for further details.

5 Represents related party loans due to Ship Finance Limited.

6 This table excludes deferred tax liabilities and other liabilities which are presented in Section 11.3 "Unaudited pro forma condensed consolidated balance sheet".

### 9.3 Indebtedness

<i>In USD millions</i>	<b>As at 31 December 2017</b>	<b>Pro forma Reorganization adjustments <sup>1</sup></b>	<b>Pro Forma fresh- start accounting adjustments<sup>1</sup></b>	<b>As adjusted</b>
	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net indebtedness				
(A) Cash <sup>2</sup> .....	1,255	544	-	1,799
(B) Cash equivalents.....	-	-	-	-
(C) Interest bearing receivables <sup>3</sup> .....	439	-	-	439
<b>(D) Liquidity (A) + (B) + (C) .....</b>	<b>1,694</b>	<b>544</b>	<b>-</b>	<b>2,238</b>
<b>(E) Current financial receivables.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(F) Current bank debt <sup>4</sup> .....	509	(509)	-	-
(G) Bonds issued <sup>6</sup> .....	2,334	(2,334)	-	-
(H) Current portion of non-current debt.....	-	-	-	-
(I) Other current financial debt.....	-	-	-	-
<b>(J) Current financial debt</b>				
<b>(F) + (G) + (H) + (I) .....</b>	<b>2,843</b>	<b>(2,843)</b>	<b>-</b>	<b>-</b>
<b>(K) Net current financial indebtedness (J)-(E)-(D) .....</b>	<b>1,149</b>	<b>(3,387)</b>	<b>-</b>	<b>(2,238)</b>
(L) Non-current bank loans <sup>5</sup> .....	5,856	562	(230)	6,188
(M) New Secured Notes <sup>7</sup> .....	-	866	-	866
(N) Other non-current loans.....	314	-	-	314
<b>(O) Non-current financial indebtedness (L) + (M) + (N).....<sup>9</sup></b>	<b>6,170</b>	<b>1,428</b>	<b>(230)</b>	<b>7,368</b>
<b>(P) Net financial indebtedness (K) + (O) .....</b>	<b>7,319</b>	<b>(1,959)</b>	<b>(230)</b>	<b>5,130</b>

1 Reference is made to Section 11 "Unaudited pro forma condensed consolidated financial statements" for further information on the "pro forma Reorganization adjustments" and "pro Forma fresh-start accounting adjustments" adjustments.

2 Cash adjustments for the Plan reflects USD 1,080 million inflow from capital raise less USD 536 million of payments made to unsecured creditors and professional fees incurred directly related to the bankruptcy.

3 Represents related party loans, including Archer subordinated convertible loan, USD 99 million Seabras loan facility, USD 250 million SeaMex Seller's Credit and SeaMex USD 45 million loan facility.

4 This represents the AOD and SFL credit facilities which were not presented as subject to compromise in Old Seadrill's financial statements for the year ended 31 December 2017 as the subsidiaries holding these facilities did not file for bankruptcy under Chapter 11. The pro forma reorganization adjustments reflect the reclassification of these facilities to non-current debt to reflect the maturity extension under the plan effects. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" and Section 11 "Unaudited pro forma condensed consolidated financial statements" for further details.

5 Represents secured credit facilities (including AOD and SFL), certain amounts of which are classified as liabilities subject to compromise in Old Seadrill's financial statements for the year ended 31 December 2017. The pro forma reorganization adjustments reflect the reclassification of the AOD and SFL facilities to non-current debt reflect the maturity extension under the plan effects, the reclassification of USD 81 million of adequate protection payments from a reduction in principal value to an expense, and capitalization of USD 28 million of lender consent fees. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" for further details. The pro forma fresh-start accounting adjustments reflect the estimated discount upon emergence of USD 260 million and the write off of unamortized debt issuance costs of USD 30 million. Reference is made to Section 11 "Unaudited pro forma condensed consolidated financial statements" for further details.

6 Represents the unsecured bond facilities which are equitized under the Plan and therefore these will not form part of the Group's borrowings from the Effective Date.

7 Represents the issuance of USD 880 million of New Secured Notes on emergence less estimated closing fees of USD 9 million and estimated discount of USD 5 million. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" for further details.

8 Represents related party loans due to Ship Finance Limited.

9 This table excludes deferred tax liabilities and other liabilities which are presented in Section 11.3 "Unaudited pro forma condensed consolidated balance sheet".

#### 9.4 Working capital statement

The Company is of the opinion that the working capital available is sufficient for the Group's present requirements for the period covering at least 12 months from the date of this Prospectus.

#### 9.5 Contingent and indirect indebtedness

As at the date of this Prospectus, the Group does not have any other contingent or indirect indebtedness other than as described in the table below.

*In USD total*

	Seadrill	NADL	Sevan Drilling	SDLP	Seamex	Seabras Sapura	Archer	Grand total
Financial <sup>1</sup> .....	-	-	-	-	-	692,999,270	-	692,999,270
Newbuild <sup>2</sup> .....	1,685,000,000	-	-	-	-	-	-	1,685,000,000
Customs.....	94,018,780	382,320	-	643,971	-	-	-	95,045,071
Performance.....	495,155,310	300,000,000	-	56,061,475	6,259,750	-	8,575,661	866,052,196
Bid Bond	3,305,000	-	-	-	-	-	-	3,305,000
Other	798,000	-	-	-	-	-	-	798,000
guarantees.....								
Payment	8,304,097	343,806	250,000	-	-	-	-	8,897,903
guarantee.....								
Rent.....	5,454,108	-	-	-	-	-	9,813,912	15,268,020
<b>Grand total.....</b>	<b>2,292,035,295</b>	<b>300,726,126</b>	<b>250,000</b>	<b>56,705,446</b>	<b>6,259,750</b>	<b>692,999,270</b>	<b>18,389,573</b>	<b>3,367,365,460</b>

1 The Group has signed a term sheet with the lenders and Sapura Energy Berhard which contemplates the extinguishment of the sponsor guarantees in respect of the PSLV I and PSLV II in return for prepayments to the lenders using the joint venture cash on hand. The Group plans to complete this deal in Q3 2018.

2 The newbuild contracts are all with limited liability subsidiaries of the Group that do not have the benefit of a Group guarantee. See Section 12.8 "Off-balance sheet arrangements" for further information on the newbuild purchase commitments.

## 10 SELECTED FINANCIAL INFORMATION

### 10.1 Introduction

The tables set out in this Section 10 "Selected financial information" present selected financial information derived from Old Seadrill's audited consolidated financial statements (including the notes thereto) as of and for the years ended 31 December 2017, 2016 and 2015 (the Financial Statements). The Financial Statements have been included herein by reference, see Section 19.3 "Incorporation by reference". The Financial Statements have been prepared in accordance with U.S. GAAP. For a discussion of the reasoning and rationale behind including Old Seadrill's audited consolidated financial statements, please see Section 4.3.1 "Financial information".

The selected financial information presented herein should be read in connection with, and is qualified in its entirety by reference to, the Financial Statements included herein by reference, and should be read together with Section 12 "Operating and financial review" and the Financial Statements (included by reference, see Section 19.3 "Incorporation by reference").

The Financial Statements have been audited by PwC, and the auditor's reports are incorporated by reference, see Section 19.3 "Incorporation by reference" for more information. Except for the Independent auditor's report on the Pro Forma Financial Information (Appendix C) and the report on the Interim Financial Statements (Appendix B), PwC has not audited, reviewed or produced any report on any other information provided in this Prospectus.

Seadrill was incorporated on 14 March 2018 and has available financial statements prepared in accordance with U.S. GAAP for the interim period from its incorporation to 31 March 2018 (Seadrill's Interim Financial Statements), which are attached hereto as Appendix B. Seadrill has apart from this no historical financial information. Seadrill's Interim Financial Statements have been audited by PwC. The Company's financial position at 31 March 2018 was an entity with only share capital invested from its 100% parent, Old Seadrill. As described in the Section 5 "The Chapter 11 Reorganization", at the Effective Date, the Company became the ultimate parent entity of Old Seadrill's subsidiaries and the operations of the Group. Prior to the Effective Date there had been no material operations in the Company. As described in Section 4.3.1 "Financial information", the financial position of the Group at the Effective Date was subject to the effects of the Plan and fresh-start accounting. The Company has prepared the Pro forma financial information in Section 11 "Unaudited pro forma condensed consolidated financial statements" to enable investors to consider how these effects will impact the statement of operations and balance sheet of the Group. For an explanation of the financial information included in this Prospectus, please refer to Section 4.3.1 "Financial information".

### 10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, please refer to note 2 of the Financial Statements as of and for the year ended 31 December 2017, included in this Prospectus by reference (see Section 19.3 "Incorporation by reference").

### 10.3 Consolidated statements of operations

The table below sets out selected data from the Group's audited consolidated statements of operations for the years ended 31 December 2017, 2016 and 2015.

(In USD millions (except per share data))

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
<b>Operating revenues</b>			
Contract revenues.....	1,888	2,850	3,957
Reimbursable revenues.....	38	66	113
Other revenues <sup>1</sup> .....	162	253	265
<b>Total operating revenues</b> .....	<b>2,088</b>	<b>3,169</b>	<b>4,335</b>
<b>Loss on disposals</b> .....	<b>(245)</b>	-	<b>(63)</b>
<b>Contingent consideration realized</b> .....	<b>27</b>	<b>21</b>	<b>47</b>
<b>Operating expenses</b>			
Vessels and rig operating expenses <sup>1</sup> .....	792	1,015	1,611
Reimbursable expenses.....	35	61	99
Depreciation and amortization.....	798	810	779

*(In USD millions (except per share data))*

	Year ended 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
Loss on impairment of long lived assets .....	696	44	563
General and administrative expenses <sup>1</sup> .....	277	234	248
<b>Total operating expenses</b> .....	<b>2,598</b>	<b>2,164</b>	<b>3,300</b>
<b>Operating (loss)/income</b> .....	<b>(728)</b>	<b>1,026</b>	<b>1,019</b>
<b>Financial items and other income/(expense), net</b>			
Interest income <sup>1</sup> .....	60	66	67
Interest expense <sup>1</sup> .....	(285)	(412)	(415)
Share in results from associated companies (net of tax) .....	174	283	192
Loss on impairment of investments .....	(841)	(895)	(1,285)
Gain/(loss) on derivative financial instruments <sup>1</sup> .....	11	(74)	(150)
Net gain on debt extinguishment .....	19	47	8
Foreign exchange (loss)/gain .....	(65)	18	63
Gain on sale of tender rig business .....	-	-	22
Reorganization items, net .....	(1,337)	-	-
Other financial items and other (expense)/income, net .....	(44)	(15)	52
<b>Total financial items and other (expense)/income, net</b> .....	<b>(2,308)</b>	<b>(982)</b>	<b>(1,446)</b>
<b>(Loss)/income before income taxes</b> .....	<b>(3,036)</b>	<b>44</b>	<b>(427)</b>
Income tax expense .....	(66)	(199)	(208)
<b>Net loss</b> .....	<b>(3,102)</b>	<b>(155)</b>	<b>(635)</b>
<b>Net (loss)/income attributable to the non-controlling interest</b> .....	<b>(129)</b>	<b>26</b>	<b>(1)</b>
<b>Net loss attributable to the parent</b> .....	<b>(2,973)</b>	<b>(181)</b>	<b>(634)</b>
<b>Basic loss per share (U.S. dollar)</b> .....	<b>(5.89)</b>	<b>(0.36)</b>	<b>(1.29)</b>
<b>Diluted loss per share (U.S. dollar)</b> .....	<b>(5.89)</b>	<b>(0.36)</b>	<b>(1.29)</b>

<sup>1</sup> Includes transactions with related parties. Reference is made to note 30 "Related party transactions" of the financial statements for the year ended 31 December 2017.

#### 10.4 Consolidated statements of comprehensive (loss)/income

The table below sets out selected data from the Group's audited consolidated statements of comprehensive (loss)/income for the years ended 31 December 2017, 2016 and 2015.

*(In USD millions)*

	As of 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
<b>Net loss</b> .....	<b>(3,102)</b>	<b>(155)</b>	<b>(635)</b>
Other comprehensive income/(loss), net of tax			
Unrealized gain/(loss) on marketable securities, net .....	14	17	(460)
Actuarial (loss)/gain relating to pensions .....	(3)	22	27
Other than temporary impairment of marketable securities, reclassification of Statement of Operations .....	-	153	752
Unrealized foreign exchange differences .....	-	-	(15)
Other .....	2	1	-
Share of other comprehensive (loss)/income from associated companies .....	(8)	10	10
<b>Other comprehensive income</b> .....	<b>5</b>	<b>203</b>	<b>314</b>
<b>Total comprehensive (loss)/income for the period</b> .....	<b>(3,097)</b>	<b>48</b>	<b>(321)</b>
<b>Comprehensive (loss)/income attributable to the non-controlling interest</b> .....	<b>(121)</b>	<b>34</b>	<b>7</b>

*(In USD millions)*

	As of 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
<b>Comprehensive (loss)/income attributable to the parent</b> .....	<b>(2,976)</b>	<b>14</b>	<b>(328)</b>

### 10.5 Consolidated balance sheets

The table below sets out selected data from the Group's audited consolidated balance sheets for the years ended 31 December 2017, 2016 and 2015.

*(In USD millions)*

	As of 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	1,255	1,368	1,044
Restricted cash .....	104	75	50
Marketable securities .....	124	110	96
Accounts receivables, net .....	295	462	718
Amount due from related parties - current .....	217	376	639
Other current assets .....	257	495	395
<b>Total current assets</b> .....	<b>2,252</b>	<b>2,886</b>	<b>2,942</b>
<b>Non-current assets</b>			
Investment in associated companies .....	1,473	2,168	2,592
Marketable securities .....	-	-	195
Newbuildings .....	248	1,531	1,479
Drilling units .....	13,216	14,276	14,930
Restricted cash .....	-	-	198
Deferred tax assets .....	10	12	81
Equipment .....	29	41	46
Amounts due from related parties – non-current .....	547	523	517
Assets held for sale – non-current .....	126	128	128
Other non-current assets .....	81	101	331
<b>Total non-current assets</b> .....	<b>15,730</b>	<b>18,780</b>	<b>20,497</b>
<b>Total assets</b> .....	<b>17,982</b>	<b>21,666</b>	<b>23,439</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Debt due within one year .....	509	3,195	1,489
Trade accounts payable .....	72	93	141
Amounts due to related parties - current .....	10	83	152
Other current liabilities .....	268	1,352	1,560
<b>Total current liabilities</b> .....	<b>859</b>	<b>4,723</b>	<b>3,342</b>
<b>Liabilities subject to compromise</b> .....	<b>9,191</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Long-term debt .....	485	6,319	9,054
Long-term debt due to related parties .....	314	330	438
Deferred tax liabilities .....	107	112	136
Other non-current liabilities .....	67	119	401
<b>Total non-current liabilities</b> .....	<b>973</b>	<b>6,880</b>	<b>10,029</b>
<b>Equity</b>			
Common shares of par value US\$ 2.00 per share: 800,000 shares authorized 504,518,940 outstanding at December 31, 2017 (December 31, 2016, 504,444,280) .....	1,008	1,008	985
Additional paid in capital .....	3,313	3,306	3,275
Contributed surplus .....	1,956	1,956	1,956
Accumulated other comprehensive income .....	58	53	(142)

(In USD millions)

	As of		
	31 December		
	2017	2016	2015
	(audited)	(audited)	(audited)
Retained earnings .....	225	3,198	3,379
<b>Total Shareholder's equity .....</b>	<b>6,560</b>	<b>9,521</b>	<b>9,453</b>
Non-controlling interest .....	399	542	615
<b>Total equity .....</b>	<b>6,959</b>	<b>10,063</b>	<b>10,068</b>
<b>Total liabilities and equity .....</b>	<b>17,982</b>	<b>21,666</b>	<b>23,439</b>

## 10.6 Consolidated statements of cash flow

The table below sets out selected data from the Group's audited consolidated statements of cash flows for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Year ended		
	31 December		
	2017	2016	2015
	(audited)	(audited)	(audited)
<b>Cash flows from Operating Activities</b>			
Net loss .....	(3,102)	(155)	(635)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>			
Depreciation and amortization .....	798	810	779
Amortization of deferred loan charges .....	27	45	39
Amortization of unfavorable and favorable contracts .....	(43)	(65)	(116)
Share of results from associated companies .....	(174)	(283)	(192)
Loss on disposal of drilling units .....	245	-	-
Share-based compensation expense .....	7	8	7
Loss on disposals and deconsolidations .....	-	-	63
Contingent consideration realized .....	(27)	(21)	(47)
Unrealized gain related to derivative financial instruments .....	(76)	(67)	(82)
Loss on impairment of long-lived assets .....	696	44	563
Loss on impairment of investments .....	841	895	1,285
Gain on derecognition of investment in associated company .....	(10)	-	-
Dividends received from associated companies .....	39	55	253
Deferred income tax .....	7	73	29
Unrealized foreign exchange gain on long-term debt .....	59	(5)	(95)
Gain on sale of tender rig business .....	-	-	(22)
Payments for long-term maintenance .....	(58)	(95)	(106)
Net gain on debt extinguishment .....	(19)	(47)	(8)
Non-cash reorganization items, net of financing activities ..	1,274	-	-
Other .....	(2)	(2)	(9)
<i>Changes in operating assets and liabilities, net effect of acquisitions and disposals</i>			
Trade accounts receivable .....	167	256	267
Trade accounts payable .....	(9)	(55)	58
Related party receivables .....	(42)	2	65
Related party payables .....	(44)	(35)	(64)
Prepaid expenses/accrued revenue .....	(66)	15	(12)
Deferred revenue .....	(107)	(168)	(95)
Other assets .....	93	55	(22)
Other liabilities .....	(75)	(76)	(115)
<b>Net cash provided by operating activities .....</b>	<b>399</b>	<b>1,184</b>	<b>1,788</b>
<b>Cash flows from Investing Activities</b>			
Additions to newbuildings .....	(33)	(52)	(613)
Additions to drilling units and equipment .....	(59)	(84)	(322)
Refund of yard installments .....	25	53	29
Contingent consideration received .....	95	95	27
Settlement of West Mira .....	170	-	-
Sale of rigs and equipment .....	122	-	-
Buy out of guarantee .....	(28)	-	-

(In USD millions)

	Year ended 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
Sale of business, net of cash disposed .....	-	-	1,214
Change in restricted cash .....	(29)	(26)	(25)
Investment in associated companies .....	-	(16)	(210)
Loans granted to related parties .....	-	(120)	(523)
Payments received from loans granted to related parties....	66	283	233
Proceeds from disposal of marketable securities .....	-	195	-
<b>Net cash provided by/ (used in) investing activities</b>	<b>329</b>	<b>328</b>	<b>(190)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from debt .....	-	-	1,516
Repayments of debt .....	(754)	(1,054)	(2,999)
Debt fees paid .....	(53)	(31)	(16)
Proceeds from debt to related party .....	-	-	143
Repayments of debt to related party .....	(39)	(103)	-
Dividends paid to non-controlling interests .....	-	(7)	(14)
Purchase of treasury shares .....	-	(10)	-
Cash settlement of restricted stock units .....	-	(1)	-
<b>Net cash used in financing activities</b> .....	<b>(846)</b>	<b>(1,206)</b>	<b>(1,370)</b>
Cash reclassified as held for sale .....	-	-	-
Effect of exchange rate changes on cash and cash equivalents .....	5	18	(15)
<b>Net (decrease)/increase in cash and cash equivalents</b> .....	<b>(113)</b>	<b>324</b>	<b>213</b>
Cash and cash equivalents at beginning of the year .....	1,368	1,044	831
<b>Cash and cash equivalents at the end of year</b> .....	<b>1,255</b>	<b>1,368</b>	<b>1,044</b>
<b>Supplementary disclosure of cash flow information</b>			
Interest paid, net of capitalized interest .....	(264)	(400)	(458)
Taxes paid .....	(119)	(123)	(136)

## 10.7 Consolidated statements of changes in shareholders' equity

The table below sets out selected data from the Group's audited consolidated statements of changes in shareholders' equity for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Common shares	Additional paid in capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Retained earnings	Total equity before NCI	Non- controlling interest	Total equity
<b>Balance at December 31, 2014</b>	<b>985</b>	<b>3,258</b>	<b>1,956</b>	<b>(448)</b>	<b>4,013</b>	<b>9,764</b>	<b>626</b>	<b>10,390</b>
Sale of treasury shares	-	10	-	-	-	10	-	10
Share-based compensation charge	-	7	-	-	-	7	-	7
Sale of NCI	-	-	-	-	-	-	(4)	(4)
Other comprehensive income	-	-	-	306	-	306	8	314
Dividends declared	-	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	(14)	(14)
Net loss	-	-	-	-	(634)	(634)	(1)	(635)
<b>Balance at December 31, 2015</b>	<b>985</b>	<b>3,275</b>	<b>1,956</b>	<b>(142)</b>	<b>3,379</b>	<b>9,453</b>	<b>615</b>	<b>10,068</b>
Purchase of treasury shares	(8)	(2)	-	-	-	(10)	-	(10)
Share-based compensation charge	-	7	-	-	-	7	-	7
Cash settlement of vested restricted stock units	-	(1)	-	-	-	(1)	-	(1)
Conversion of convertible bonds	31	27	-	-	-	58	-	58
Recognition of non-controlling	-	-	-	-	-	-	6	6

(In USD millions)

	Common shares	Additional paid in capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Retained earnings	Total equity before NCI	Non- controlling interest	Total equity
interest								
Other comprehensive income	-	-	-	195	-	195	8	203
Distributions to non-controlling interests	-	-	-	-	-	-	(113)	(113)
Net loss	-	-	-	-	(181)	(181)	26	(155)
<b>Balance at December 31, 2016</b>	<b>1,008</b>	<b>3,306</b>	<b>1,956</b>	<b>53</b>	<b>3,198</b>	<b>9,521</b>	<b>542</b>	<b>10,063</b>
Share-based compensation charge	-	7	-	-	-	7	-	7
Other comprehensive income	-	-	-	5	-	5	-	5
Distributions to non-controlling interests	-	-	-	-	-	-	(14)	(14)
Net loss	-	-	-	-	(2,973)	(2,973)	(129)	(3,102)
<b>Balance at December 31, 2017</b>	<b>1,008</b>	<b>3,313</b>	<b>1,956</b>	<b>58</b>	<b>225</b>	<b>6,560</b>	<b>399</b>	<b>6,959</b>

### 10.8 Segment information

The Group provides drilling and related services to the offshore oil and gas industry. The Group is organized into, and reports in, the following three operating segments:

**Floaters:** Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to semi-submersible rigs and drillships for harsh and benign environments in mid-, deep- and ultra-deep waters;

**Jack-up rigs:** Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to jack-up rigs for operations in harsh and benign environments; and

**Other:** Operations including management services to third parties and related parties. Income and expenses from these management services are classified under this segment.

Segment results are evaluated on the basis of operating income, and the information provided in the tables below is used for internal management reporting and derived from Note 4 to the Financial Statements, as included in this Prospectus by reference (see Section 19.3 "Incorporation by reference").

#### 10.8.1 Revenues

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Floaters .....	1,387	2,212	2,906
Jack-up rigs .....	617	865	1,293
Other .....	84	92	136
<b>Total .....</b>	<b>2,088</b>	<b>3,169</b>	<b>4,335</b>



### 10.8.2 Depreciation and amortization

The table below sets out the Group's depreciation and amortization costs, divided into its segments, for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Floaters .....	601	600	570
Jack-up rigs .....	197	210	208
Other .....	-	-	1
<b>Total</b> .....	<b>798</b>	<b>810</b>	<b>779</b>

### 10.8.3 Operating income – net income

The table below sets out the Group's operating income based on segments for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Floaters .....	(622)	759	340
Jack-up rigs .....	(112)	267	664
Other .....	6	-	15
<b>Operating income</b> .....	<b>(728)</b>	<b>1,026</b>	<b>1,019</b>
<i>Unallocated items</i>			
Total financial items and other .....	(2,308)	(982)	(1,446)
<b>(Loss)/income before income tax</b> .....	<b>(3,036)</b>	<b>44</b>	<b>(427)</b>

### 10.8.4 Drilling Units and Newbuildings – Total assets

The table below sets out the Group's Drilling units and Newbuildings for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Floaters .....	9,956	11,751	12,189
Jack-up rigs .....	3,508	4,056	4,220
<b>Total Drilling Units and Newbuildings</b> .....	<b>13,464</b>	<b>15,807</b>	<b>16,409</b>
Assets held for sale .....	126	128	128
Investments in Associated companies .....	1,473	2,168	2,592
Marketable securities .....	124	110	291
Cash and restricted cash .....	1,359	1,443	1,292
Other assets .....	1,436	2,010	2,727
<b>Total</b> .....	<b>17,982</b>	<b>21,666</b>	<b>23,439</b>

### 10.8.5 Capital expenditures – fixed assets

The table below sets out the Group's capital expenditures on fixed assets, divided into the two segments Floaters and Jack-up rigs, for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Floaters .....	128	192	950
Jack-up rigs .....	22	35	95
<b>Total</b> .....	<b>150</b>	<b>227</b>	<b>1,045</b>

## 10.9 Geographic segment data

### 10.9.1 Revenues

The table below sets out the Group's revenues by geographic area for the years ended 31 December 2017, 2016 and 2015.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Angola.....	482	419	527
Brazil.....	358	491	877
United States.....	291	370	371
Norway.....	219	475	641
Nigeria.....	193	431	499
Others <sup>1</sup> .....	545	983	1,420
<b>Total revenue</b> .....	<b>2,088</b>	<b>3,169</b>	<b>4,335</b>

<sup>1</sup> Other countries represent countries in which the Group operates that individually had revenues representing less than 10% of total revenues earned for any of the periods presented.

### 10.9.2 Major customers

The Group's customers with contract revenues greater than 10% in any of the years ended 31 December 2017, 2016 and 2015 are presented in the table below.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Total S.A. Group ("Total").....	25%	18%	16%
Petroleo Brasileiro S.A. ("Petrobras").....	19%	17%	19%
LLOG.....	15%	13%	9%
Exxon Mobil Corp ("Exxon").....	7%	13%	14%
Statoil ASA ("Statoil").....	4%	10%	12%

### 10.9.3 Fixed assets – drilling units

The Group's fixed assets for drilling units for the years ended 31 December 2017, 2016 and 2015 are presented below. The fixed assets referred to in the table below exclude assets under construction. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues or operating profits generated by such assets during such period.

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
Norway.....	2,258	2,456	2,094
Spain.....	2,016	944	-
Brazil.....	1,816	1,884	4,074
Malaysia.....	1,809	673	504
USA.....	1,266	1,298	-
Angola.....	-	1,423	1,452
Others <sup>1</sup> .....	4,051	5,598	6,806
<b>Total</b> .....	<b>13,216</b>	<b>14,276</b>	<b>14,930</b>

<sup>1</sup> Other countries represents countries in which the Group operates that individually had fixed assets less than 10% of total fixed assets.

## 11 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11.1 Introduction

The following unaudited pro forma condensed consolidated statement of operations of Seadrill (the Successor) for the twelve months ended 31 December 2017 is based on the consolidated statement of operations of Old Seadrill (the Predecessor) and gives effect to the Reorganization (see Section 5 "The Chapter 11 Reorganization") as if it had occurred on 1 January 2017. The Reorganization, which resulted in a change in the parent holding company, was accounted for as a merger between entities under common control; accordingly, the historical consolidated financial statements of Seadrill for the periods prior to the Reorganization are considered to be the historical consolidated financial statements of the new parent entity. The following unaudited pro forma condensed consolidated balance sheet of Seadrill as of 31 December 2017 is based on the consolidated balance sheet of Old Seadrill, and gives effect to the Reorganization as if it had occurred on 31 December 2017 and have been included hereto for illustrative purposes only. The unaudited pro forma condensed consolidated financial statements (the "**Pro Forma Financial Statements**") have been prepared in accordance with Article 11 of Regulation S-X pursuant to the U.S. Securities Exchange Act and are in accordance to the requirements for pro forma financial information to be provided pursuant to the EU Prospectus Directive. For additional information regarding the Pro Forma Financial Statements, please refer to Section 4.3.1 "Financial information". An independent auditor's report on the Pro Forma Financial Statements is included as Appendix C hereto.

The pro forma adjustments to the financial statements for the year ended 31 December 2017 are based on information available at the date of the Prospectus, and in many cases are based on estimates and preliminary information. The assumptions underlying the pro forma adjustments are described in the accompanying notes to the Pro Forma Financial Statements. The Company believes such assumptions are reasonable under the circumstances and reflect the best currently available estimates and judgments and are factually supportable. They also give effect to the impact of events that are directly attributable to the Reorganization and, with respect to the unaudited pro forma consolidated statement of operations, are expected to have a continuing impact on Seadrill following the Reorganization. The Pro Forma Financial Statements may not be indicative of the Company's future performance and does not necessarily reflect what the Company's financial position and results of operations would have been had the Reorganization occurred at the beginning of the period presented.

The Pro Forma Financial Statements should be read in conjunction with Section 12 "Operating and financial review" below and the financial statements for the year ended 31 December 2017 and notes thereto incorporated to this Prospectus by reference (see Section 19.3 "Incorporation by reference").

The Pro Forma Financial Statements materially give effect to the application of "fresh-start" accounting and reporting in accordance with U.S. GAAP, ASC 852—Reorganizations, which is to reflect the financial statements of Seadrill on a fair value basis as of the Effective Date. The pro forma adjustments are based on an assumed fair value of approximately USD 11.0 billion, which is the midpoint of a range of estimated distributable values of USD 10.2 billion and USD 11.8 billion as of 30 June 2018, as approved by the Bankruptcy Court. Reference is made to the notes of the Pro Forma Financial Statements, included in Section 11.4 "Notes to the unaudited pro forma condensed consolidated financial statements" below, for a reconciliation of the midpoint of distributable value to reorganization value.

Fair values of assets and liabilities on the unaudited pro forma condensed consolidated balance sheet are based on preliminary valuations, made solely for the purposes of developing the pro forma condensed consolidated financial information, and are subject to further revisions and adjustments. Updates to such preliminary valuations will be completed in the periods subsequent to those reported in this Prospectus and will be calculated as of the Effective Date and, to the extent such updates reflect a valuation different than those used in the Pro Forma Financial Statements, there may be adjustments in the values of certain assets and liabilities and related deferred taxes and such adjustments may also affect revenues, expenses, and related gains or losses from the Reorganization that would be recognized in the statement of operations following the Effective Date. As such, the pro forma financial information set out in this Section 11 is not intended to represent the Company's actual post-Effective Date financial condition and statement of operations, and any differences could be material.

The Pro Forma Financial Statements are presented to show Reorganization adjustments which are accounting adjustments related to the implementation of the Plan separately from fresh-start adjustments which are accounting adjustments to reflect the revaluation to fair value in line with the distributable value approved by the Bankruptcy

Court. This presentation is consistent with the presentation of the adjustments at the Effective Date that will be required in the Company's consolidated financial statements for the year ended 31 December 2018.

The Pro Forma Financial Statements have been prepared for illustrative purposes only. Because of its nature, the Pro Forma Financial Statements address a hypothetical situation and, therefore, do not represent the Group's actual financial position or results. The Pro Forma Financial Statements are based on certain management assumptions and adjustments made to illustrate what the financial results of the Group might have been had the Reorganization occurred at an earlier point in time.

## 11.2 Unaudited pro forma condensed consolidated statement of operations

The table below sets out selected data from the Group's unaudited pro forma condensed consolidated statement of operations for the year ended 31 December 2017.

(In USD millions (except per unit data))

	Predecessor Historical	Reorganization Adjustments	Fresh-Start Adjustments	Successor Pro Forma
<b>Operating revenues</b>				
Contract revenues.....	1,888	-	-	1,888
Reimbursable revenues.....	38	-	-	38
Other revenues.....	162	-	(43) <sup>(u)</sup>	119
<b>Total operating revenues</b> .....	<b>2,088</b>	<b>-</b>	<b>(43)</b>	<b>2,045</b>
<b>Loss on disposals</b> .....	<b>(245)</b>	<b>-</b>	<b>-</b>	<b>(245)</b>
<b>Contingent considerations</b> .....	<b>27</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Operating expenses</b>				
Vessel and rig operating expenses.....	792	-	-	792
Reimbursable expenses.....	35	-	-	35
Depreciation and amortization.....	798	-	(512) <sup>(z)</sup>	286
Loss on impairment of long lived assets.....	696	(696) <sup>(j)</sup>	-	-
General and administrative expenses.....	277	(86) <sup>(k)</sup>	-	191
<b>Total operating expenses</b> .....	<b>2,598</b>	<b>(782)</b>	<b>(512)</b>	<b>1,304</b>
<b>Operating (loss)/income</b> .....	<b>(728)</b>	<b>782</b>	<b>469</b>	<b>523</b>
<b>Financial items and other income and expense</b>				
Interest income.....	60	-	-	60
Interest expense.....	(285)	(191) <sup>(l)</sup>	-	(476)
Shares in results from associated companies (net of tax).....	174	-	-	174
Loss on impairment of investments.....	(841)	-	-	(841)
Gain/(loss) on derivative financial instruments.....	11	-	-	11
Net gain on debt extinguishment.....	19	-	-	19
Foreign exchange gain.....	(65)	-	-	(65)
Gain on sale of tender rig business.....	-	-	-	-
Reorganization items, net.....	(1,337)	1,337 <sup>(m)</sup>	-	-
Other financial items and other income and expenses, net.....	(44)	52 <sup>(k)</sup>	-	8
<b>Total financial items and other income and expense, net</b> .....	<b>(2,308)</b>	<b>1,198</b>	<b>-</b>	<b>(1,110)</b>
<b>(Loss)/Income before income taxes</b> .....	<b>(3,036)</b>	<b>1,980</b>	<b>469</b>	<b>(587)</b>
Income tax expense.....	(66)	-	-	(66)
<b>Net income/(loss)</b> .....	<b>(3,102)</b>	<b>1,980</b>	<b>469</b>	<b>(653)</b>
<b>Net income (loss) attributable to non-controlling interests</b> .....	<b>(129)</b>	<b>155<sup>(n)</sup></b>	<b>-</b>	<b>26</b>
<b>Net income (loss) attributable to the parent</b> .....	<b>(2,973)</b>	<b>1,825</b>	<b>469</b>	<b>(679)</b>
<b>Basic (loss)/income per share (US</b>	<b>(5.89)</b>	<b>-</b>	<b>-</b>	<b>(8.26)</b>

(In USD millions (except per unit data))

	Predecessor Historical	Reorganization Adjustments	Fresh-Start Adjustments	Successor Pro Forma
<b>dollar)</b> .....				
<b>Diluted (loss)/income per share (US dollar)</b> .....	<b>(5.89)</b>	-	-	<b>(8.26)</b>
Weighted average common shares/units outstanding				
Basic .....	505	-	-	82
Diluted .....	505	-	-	82

### 11.3 Unaudited pro forma condensed consolidated balance sheet

The table below sets out selected data from the Group's unaudited pro forma condensed consolidated balance sheets for the year ended 31 December 2017.

(In USD millions)

	Predecessor Historical	Reorganization Adjustments	Fresh-Start Adjustments	Successor Pro Forma
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents .....	1,255	544 <sup>(a)</sup>	-	1,799
Restricted cash .....	104	228 <sup>(a)</sup>	-	332
Marketable securities .....	124	-	-	124
Accounts receivable, net .....	295	-	-	295
Amount due from related parties .....	217	-	-	217
Other current assets .....	257	-	(15) <sup>(a)</sup>	242
<b>Total current assets</b> .....	<b>2,252</b>	<b>772</b>	<b>(15)</b>	<b>3,009</b>
Investment in associated companies .....	1,473	-	(159) <sup>(b)</sup>	1,314
Newbuildings .....	248	-	(248) <sup>(a)</sup>	-
Drilling units .....	13,216	-	(6,819) <sup>(c)</sup>	6,397
Deferred tax assets .....	10	-	-	10
Equipment .....	29	-	-	29
Amount due from related party .....	547	-	-	547
Assets held for sale – non-current .....	126	-	-	126
Other non-current assets .....	81	-	(5) <sup>(a)</sup>	76
<b>Total assets</b> .....	<b>17,982</b>	<b>772</b>	<b>(7,246)</b>	<b>11,508</b>
<b>Liabilities and Equity</b>				
<i>Current liabilities</i>				
Debt due within one year .....	509	(509) <sup>(f)</sup>	-	-
Trade accounts payable .....	72	103 <sup>(b)</sup>	-	175
Amounts due to related parties .....	10	20 <sup>(c)</sup>	-	30
Other current liabilities .....	268	(23) <sup>(d)</sup>	(60) <sup>(t)(u)</sup>	185
<b>Total current liabilities</b> .....	<b>859</b>	<b>(409)</b>	<b>(60)</b>	<b>390</b>
Liabilities subject to compromise .....	9,191	(9,191) <sup>(e)</sup>	-	-
Long-term debt .....	485	6,799 <sup>(f)</sup>	(230) <sup>(s)</sup>	7,054
Long-term debt due to related parties .....	314	-	-	314
Deferred tax liabilities .....	107	-	(54) <sup>(v)</sup>	53
Other non-current liabilities .....	67	-	(18) <sup>(t)</sup>	49
<b>Total liabilities</b> .....	<b>11,023</b>	<b>(2,801)</b>	<b>(362)</b>	<b>7,860</b>
<b>Equity</b>				
Predecessor common shares .....	1,008	(1,008) <sup>(g)</sup>	-	-
Predecessor additional paid-in capital .....	3,313	(3,313) <sup>(g)</sup>	-	-
Predecessor contributed surplus .....	1,956	(1,956) <sup>(g)</sup>	-	-
Predecessor accumulated other comprehensive income .....	58	-	(58) <sup>(w)</sup>	-
Predecessor retained earnings .....	225	9,952 <sup>(g)</sup>	(10,177) <sup>(w)</sup>	-
Successor common shares .....	-	8 <sup>(h)</sup>	-	8
Successor contributed surplus .....	-	192 <sup>(h)</sup>	3,469 <sup>(x)</sup>	3,661
<b>Total shareholders' equity</b> .....	<b>6,560</b>	<b>3,875</b>	<b>(6,766)</b>	<b>3,669</b>
Non-controlling interest .....	399	(302) <sup>(l)</sup>	(118) <sup>(y)</sup>	(21)
<b>Total equity</b> .....	<b>6,959</b>	<b>3,573</b>	<b>(6,884)</b>	<b>3,648</b>

*(In USD millions)*

	Predecessor Historical	Reorganization Adjustments	Fresh-Start Adjustments	Successor Pro Forma
<b>Total liabilities and equity</b> .....	<b>17,982</b>	<b>772</b>	<b>(7,246)</b>	<b>11,508</b>

#### 11.4 Notes to the unaudited pro forma condensed consolidated financial statements

##### 11.4.1 Note 1. Basis of pro forma presentation

The unaudited pro forma condensed consolidated balance sheet of Seadrill (the Successor) as of 31 December 2017 is based on the consolidated balance sheet of Old Seadrill (the Predecessor) and gives effect to the Reorganization as if it had occurred on 31 December 2017. The unaudited pro forma condensed consolidated statement of operations of Seadrill for the twelve months ended 31 December 2017 is based on the consolidated statement of operations of Old Seadrill and gives effect to the Reorganization as if it had occurred on 1 January 2017.

The pro forma adjustments also reflect the financial information on a fair value basis as if Seadrill applied fresh-start accounting at the Effective Date, as required by U.S. GAAP. The holders of voting shares in Old Seadrill immediately prior to the Effective Date received less than 50% of the of the voting shares of Seadrill and the preliminary estimates for reorganization value is expected to be less than the amount of post-petition liabilities and allowed claims. Thus, in accordance with ASC 852, Seadrill has reflected the fair value of assets and liabilities of the Company and reset retained earnings. On 4 April 2018, AOD became a party to the RSA. As part of the restructuring, certain amendments were made in relation to the USD 360 million senior credit facility agreement which included put and call options. Seadrill is evaluating the accounting implications of the put and call features included in the amendment, and as such Seadrill has not adjusted for these items.

The pro forma condensed consolidated financial statements also reflect the consolidation of SFL subsidiaries, which are determined to be variable interest entities of Seadrill. These subsidiaries are expected to be consolidated by Seadrill at emergence because Seadrill continues to be the primary beneficiary of the risks and rewards connected with the ownership of the drilling units and charter contracts. Accordingly, the three drilling units owned by and the debt obligations of SFL are reflected in Seadrill's pro forma condensed consolidated balance sheet.

As part of the RSA, Seadrill amended the terms of the charter contracts it holds with SFL. Then, following the execution of the RSA and prior to Seadrill's emergence from Chapter 11 Proceedings, SFL amended the terms of their third-party credit facilities in order to conform with the charter payment schedule expressed in the amended charter contract term sheets of the RSA. Therefore, the pro forma condensed consolidated financial statements reflect the effects of the amended third-party credit facilities of SFL as a direct result of amending the charter with Seadrill.

Reorganization value is a term defined in ASC 852 as the fair value of a company's total assets prior to the consideration of liabilities and is intended to approximate the amount a willing buyer would pay for the assets immediately after a restructuring. Seadrill's reorganization value was derived from the midpoint of the Company's approved range of distributable value, as approved by the Bankruptcy Court. Distributable value reflects the following components of value:

- Consolidated operating company value of Old Seadrill, NADL, Sevan Drilling, AOD, and their respective subsidiaries;
- Investment in non-consolidated affiliate corporate entity groups for Seamex, Seabras, and Seadrill Partners; and
- Other asset values consisting of certain receivables, investments, newbuild interests and excess cash.

The valuation range for each component of value above was prepared by Houlihan Lokey using a combination of discounted cash flow analysis, precedent transaction analysis and comparable company analysis. The valuation analysis and methodology is described in further detail in Exhibit G and Exhibit H to the disclosure statement filed with the Bankruptcy Court on 26 February 2018, which are attached hereto as [Appendix D](#) and [Appendix E](#), respectively.

Discounted cash flow (DCF) analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. The DCF analysis uses the consolidated operating company's and the non-consolidated entities' ("NCE")

projections of its debt-free, after-tax cash flows through 21 December 2022. These cash flows were then discounted at a range of estimated weighted average costs of capital, which was determined by reference to, among other things, the cost of debt of selected companies that are similar to the consolidated operating company and the NCEs in certain respects and the estimated cost of equity of selected publicly traded companies that are similar to the consolidated operating company and the NCEs in certain respects. The DCF analysis also includes an estimate of the value of the consolidated operating company and the NCEs for the period beyond 31 December 2022, known as the terminal value. The terminal value was derived by applying a multiple to the consolidated operating company's and the NCEs' terminal year EBITDA. The discounted cash flow analysis involves complex considerations and judgements concerning appropriate terminal values and discount rates.

Precedent transactions analysis is based on the implied enterprise values of companies and assets involved in publicly disclosed merger and acquisition transactions that have operating and financial characteristics comparable in certain respects to the consolidated operating company and/or the NCEs. In connection with the analysis, relevant transactions announced during the current oil and gas industry environment were reviewed. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. Such enterprise values for operating businesses are typically expressed as multiples of financial and operating statistics, most commonly EBITDA.

Comparable company analysis estimates the value of a company based on a relative comparison with other publicly traded companies with similar operating and financial characteristics. Under this methodology, the enterprise value for each selected public company is determined by examining the trading prices for the equity securities of such company in the public market and adding the outstanding net debt for such company. Such enterprise values are typically expressed as multiples of various measures of financial and operating statistics, most commonly EBITDA, including projected level of EBITDA. The consolidated enterprise value of the Group is calculated by applying these relevant selected multiples to the consolidated operating company and the NCEs' historical financials and financial projections.

The distributable value midpoint of USD 11.0 billion is used as the best estimate to reflect the reorganization expected fair value; however, such conclusion may change depending on the facts and circumstances as of the Effective Date.

The reconciliation of the Company's distributable value to Reorganization value follows from the table below. The Reorganization value is derived from the Company's distributable value by adjusting for liability balances included in the distributable value, and for the final sale proceeds of the asset related to the West Rigel. Please refer to Section 12.1.2 "Reporting segments" for further information on the West Rigel.

<i>In USD millions</i>	<u>Low</u>	<u>Mid</u>	<u>High</u>
<b>Consolidated operating company value</b> .....	<b>7,316</b>	<b>7,892</b>	<b>8,468</b>
Plus: non-consolidated entities ("NCE") value <sup>(1)</sup> .....	1,906	2,096	2,286
Plus: other asset value, excluding excess cash .....	212	212	212
Plus: other asset value, excess cash .....	804	804	804
<b>Total distributable value</b> .....	<b>10,238</b>	<b>11,004</b>	<b>11,770</b>
Add: non-interest bearing liabilities .....	462	462	462
<b>Total reorganization value</b> .....	<b>10,700</b>	<b>11,466</b>	<b>12,232</b>
Increase in other asset value (excluding excess cash) <sup>(2)</sup> .....	42	42	42
<b>Total adjusted reorganization value</b> .....	<b>10,742</b>	<b>11,508</b>	<b>12,274</b>

(1) Non-consolidated entities value includes certain balances due from related parties.

(2) Reflects increase of USD 42 million to arrive at USD 126 million of expected proceeds from the sale of the West Rigel newbuild.

#### 11.4.2 Note 2. Pro forma adjustments

*Reorganization adjustments – Adjustments to reflect the effects of accounting for the plan of reorganization at emergence.*

- a) Adjustments to cash and cash equivalents including the following to illustrate the effect of the Reorganization on the cash and cash equivalents balance as if the Effective Date was 31 December 2017. These adjustments reflect the proceeds of new financing being received, cash expenses related to the reorganization and payments into escrow accounts as required in the Plan:

*(In USD millions)*

Receipt from Rights Offering (NSN and Seadrill equity) .....	1,080
Payment toward general unsecured cash pool for non-eligible rights offering holders .....	(23)
Payment toward newbuild counterparty members .....	(13)
Newbuild counterparty advisor fees .....	(4)
Payment toward general unsecured pool recovery cash account .....	(17)
Payment of new commitment party closing fee .....	(1)
Payment of NSN debt issuance costs .....	(9)
Amendment consent fees to senior secured creditors .....	(28)
Funding of professional fees escrow account .....	(50)
Funding of the escrow account for NSN collateral .....	(228)
Final adequate protection payment .....	(2)
Payment of CoCom fee .....	(4)
Pre-issuance accrued interest on NSN .....	(5)
Payment of professional fees and success fees .....	(152)
<b>Change in cash and cash equivalents .....</b>	<b>544</b>

Adjustments to restricted cash includes the following:

*(In USD millions)*

Funding of NSNCo Escrow (NSN Proceeds) .....	228
<b>Change in restricted cash .....</b>	<b>228</b>

- b) Reflects the reinstatement of trade accounts payable and other liabilities included as part of liabilities subject to compromise for USD 103 million. Under US GAAP, whilst an entity is in bankruptcy, liabilities related to the period before filing bankruptcy ('prepetition') liabilities are disclosed as subject to compromise on the face of the balance sheet for periods after the filing date where they are considered to be unsecured or impaired. On emergence from bankruptcy the agreed liabilities under the Plan are reinstated into the appropriate balance sheet captions or settled in line with the Plan. See e) below for details of all balances in subject to compromise reinstated at the Effective Date or settled in line with the Plan.
- c) Reflects the reinstatement of amount due to related party included as part of liabilities subject to compromise as described in b) above, only for related party prepetition liabilities.
- d) Reflects the USD 23 million adjustment to accrued liabilities for accrued professional and success fees estimated through the confirmation date of 17 April 2018 less anticipated cash payment for professional and success fees upon emergence.

*(In USD millions)*

Professional and success fees incurred through confirmation .....	42
Cash payment for professional fees upon emergence .....	(65)
<b>Total pro forma decrease to accrued liabilities .....</b>	<b>(23)</b>

- e) As of the Effective Date, the Company will either reinstate certain liabilities or settle upon implementation of the Plan. The adjustment reflects the removal of the balance from liabilities subject to compromise. As of 31 December 2017, liabilities subject to compromise include the following balances:

*(In USD millions)*

Senior unsecured or impaired external debt .....	5,371
Unsecured bonds .....	2,334
Newbuild claims .....	1,064
Accrued interest payable .....	50
Derivatives previously recorded at fair value .....	249
Accounts payable and other liabilities .....	103
Amount due to related party .....	20
<b>Total liabilities subject to compromise .....</b>	<b>9,191</b>

- f) Increase in long-term debt includes reinstatement of liabilities from liabilities subject to compromise, the issuance of new debt in connection with the NSN rights offering, and the reclassification of AOD debt due within one year to reflect the maturity extension contemplated under the Plan. The debt of SFL is also reclassified to long-term as a result of amending the third-party credit facilities of SFL to conform with the charter payment



schedules included as part of the RSA. Additional adjustments are made for adequate protection payments (during bankruptcy, under U.S. GAAP, payments to the secured lenders required under the Plan were considered adequate protection payments and were offset against the principal value of the debt rather than being expensed as financing costs. At the Effective Date, the principal value is reinstated and the value of adequate projection payments paid during bankruptcy is expensed), debt issuance costs, and the discount on the NSN related to the pre-issuance accrued interest. The net increase reflects the following:

*(In USD millions)*

Senior undersecured or impaired external debt.....	5,371
Adequate protection payments.....	81
Lender consent fee.....	(27)
<b>Total surviving secured credit facilities.....</b>	<b>5,425</b>
Lender consent fee (AOD facility).....	(1)
Issuance of NSN.....	880
NSN discount: pre-issuance accrued interest.....	(5)
NSN debt issuance cost.....	(9)
Reclassification of AOD and SFL debt due within one year.....	509
<b>Net increase in long-term debt.....</b>	<b>6,799</b>

- g) Adjustments to reflect the impact on retained earnings of the Plan effects, including an adjustment to eliminate Old Seadrill's capital amount balances. The net effect to Old Seadrill's retained earnings is as follows:

*(In USD millions)*

Liabilities subject to compromise.....	9,191
Less: Payment toward general unsecured cash pool for non-eligible rights offering holders.....	(23)
Less: Payment toward newbuild counterparty members.....	(13)
Less: Payment toward general unsecured pool recovery cash account.....	(17)
Less: Reinstatement of accounts payable and other liabilities.....	(103)
Less: Reinstatement of amount due to related party.....	(20)
Less: Reinstatement of senior undersecured or impaired external debt.....	(5,371)
Less: Adequate protection payments.....	(83)
Less: Newbuild counterparty advisor fees.....	(4)
Less: New commitment party closing fees.....	(1)
Less: Payment of CoCom fees.....	(4)
Less: Payment of professional and success fees.....	(179)
<b>Net income effect on Predecessor retained earnings.....</b>	<b>3,373</b>
Cancellation of Predecessor common units.....	1,008
Cancellation of Predecessor additional paid-in capital.....	3,313
Cancellation of Predecessor contributed surplus.....	1,956
Elimination of NADL and Sevan non-controlling interests.....	302
<b>Change in Predecessor retained earnings.....</b>	<b>9,952</b>

- h) Reflects the issuance of USD 200 million of Seadrill's (the Successor's) common stock per Equity Commitment.

- i) Upon emergence, NADL and Sevan will be wholly owned subsidiaries of Seadrill. This adjustment reflects the elimination of the non-controlling interests of NADL and Sevan.

*(In USD millions)*

Non-controlling interest in NADL.....	76
Non-controlling interest in Sevan.....	226
<b>Total non-controlling interest eliminated.....</b>	<b>302</b>

- j) Reflects the removal of the historical impairment expense recognized in conjunction with the rejected newbuildings contracts as part of the Chapter 11 process. This impairment should be eliminated from the pro forma income statement because it is non-recurring in nature and directly related to the Reorganization.

- k) Reflects the removal of prepetition restructuring expenses incurred related to the Chapter 11 process that were booked in general and administrative expenses and other financial items and other income expenses, net. These restructuring expenses and the related pro forma adjustment are a result of the Chapter 11 process and should

be non-recurring in nature. These restructuring expenses should be eliminated from the pro forma income statement because they are non-recurring in nature and directly related to the Reorganization.

- l) Adjustments to interest expense reflects the following:

*(In USD millions)*

Removal of historical interest expense .....	285
Pro forma interest expense on NSN .....	(106)
Amortization of NSN debt issuance costs .....	(1)
Accretion of discount on NSN .....	(1)
Pro forma interest expense on senior secured credit facilities .....	(274)
Accretion of discount on senior secured credit facilities and NSN .....	(47)
Interest expense on SFL .....	(47)
<b>Net pro forma increase to interest expense .....</b>	<b>(191)</b>

The impact of a one-eighth percent change in the variable interest rate for senior secured debt would result in an increase or decrease in interest expense of approximately USD 8 million annually.

The adjustments to the interest expense are expected to be recurring in nature due to the change in financing as a result of the reorganization.

- m) Reflects the removal of reorganization items, net which represents charges for professional fees and other costs directly attributable to the Chapter 11 process that will not have continuing effect on the Company. These reorganization items and the related pro forma adjustment are as a result of the Chapter 11 process and should be non-recurring in nature. These reorganization items should be eliminated from the pro forma income statement because they are non-recurring in nature and directly related to the Reorganization.
- n) Reflects the elimination of net loss attributable to non-controlling interests of NADL and Sevan. Upon emergence, NADL and Sevan will be wholly owned subsidiaries of Seadrill.

*(In USD millions)*

Net income attributable to non-controlling interest in NADL .....	(90)
Net income attributable to non-controlling interest in Sevan .....	(65)
<b>Net loss attributable to non-controlling interest eliminated .....</b>	<b>(155)</b>

The adjustment to the Net Gain/Loss attributable to non-controlling interests is expected to be recurring due to the increased holdings of NADL and Sevan.

*Fresh-start adjustments – Adjustments to reflect the balance sheet at fair value, derived from the distributable value approved by the U.S. bankruptcy court.*

- o) Reflects the fair value adjustment to remove deferred mobilization cost, which is determined to have no future economic benefits. Deferred mobilization costs of USD 15 million and USD 5 million are included in current and other non-current assets, respectively.
- p) The fair value adjustment to investment in associated companies reflects the following items:

*(In USD millions)*

Current due from related parties .....	217
Non-current due from related parties .....	547
<b>Total predecessor related parties receivables .....</b>	<b>764</b>
Less: related party amount owed by Seadrill Partners for West Vencedor receivable <sup>(1)</sup> .....	(25)
Less: related party amount owed by Archer for its convertible note <sup>(2)</sup> .....	(53)
<b>Net Amounts Receivable due from related parties included in non-consolidated entities at fair value .....</b>	<b>686</b>
Plus: Seadrill Partners common units included in marketable securities within other current assets .....	96
Plus: Pro forma investment in associated companies .....	1,314
<b>Midpoint of the NCE fair value .....</b>	<b>2,096</b>
Reversal of predecessor investment in associated companies .....	1,473

Pro forma investment in associated companies .....	1,314
<b>Fair value adjustment to investment in associated companies</b> .....	<b>(159)</b>

- (1) This receivable is expected to be fully collected by Effective Date and was considered as part of excess cash of total distributable value. At 31 December 2017, the USD 25 million receivable under the West Vencedor loan serves to increase the value attributed to other non-operating assets and reduce excess cash.
- (2) The amount owed by Archer under its convertible note is separately evaluated as part of other asset value (excluding excess cash) as part of the build-up of total distributable value. As a result, it is removed from the reconciliation of non-consolidated entities value for fresh-start.

- q) Reflects the fair value adjustment to newbuildings, which is expected to be zero as of the Effective Date.
- r) Reflects the fair value adjustment to the drilling units to arrive at the midpoint of consolidated company operating value.

To determine the final fresh start accounting adjustments required in the financial reporting at the emergence date, the Company is required to carry out a full fair value exercise for each financial statement line item as at the emergence date. For drilling units, this includes a discounted cash flow exercise (using assumptions such as the group weighed average cost of capital, dayrates, utilization, operating and capital expenditures, etc.) and a comparison to market transactions for comparable drilling unit sales. These valuations of drilling units, when combined with valuations to consider the fair value for all other balance sheet assets are expected to be aligned to the mid-point of the reorganization value discussed in Section 11.4.1 as this is deemed the overall fair value for the Group at emergence.

For purposes of the preparation of this pro forma financial information, the fresh start valuation exercise, including drilling units, at the emergence date is not completed and therefore the approach undertaken is to take the reorganization value discussed in Section 11.4.1 (which is representative of the fair value of the Company) and derive the expected fair value of each component by considering items with a value separately identified within the reorganization value (such as the non-consolidated entities and newbuild assets), items considered to be already carried at fair value as at 31 December 2017 (such as cash and marketable securities) and other items where there are known differences between carrying value and fair value (such as the mobilization assets). The residual difference between the resulting value of total assets at fair value in the balance sheet and the mid-point of the reorganization value (which is deemed overall fair value of total assets) is deemed to be an adjustment to the value of drilling units, as these are the remaining financial statement line item that should be adjusted to fair value.

- s) Reflects a USD 260 million fair value adjustment to the senior secured credit facilities offset by USD 30 million in write-offs of unamortized predecessor debt issuance cost and lender consent fees. The fair value adjustment reflects the estimated discount upon emergence to arrive at the midpoint of the fair value of Seadrill's debt range provided as part of the distributable value. See table below for implied discount calculation and related debt fees.

*(In USD millions)*

Predecessor long-term debt .....	485
Net increase in long-term debt (footnote (f) from above) .....	6,799
<b>Pro forma recognized debt</b> .....	<b>7,284</b>
Write-off of unamortized predecessor debt issuance cost .....	2
Write-off of unamortized lender consent fees on the senior secured credit facilities .....	28
Add: NSN debt issuance cost .....	9
Add: NSN discount (pre-issuance accrued interest) .....	5
<b>Pro forma par value of recognized debt</b> .....	<b>7,328</b>
Less: Midpoint of the Seadrill fair value of debt .....	7,068
<b>Pro forma discount on Seadrill debt</b> .....	<b>260</b>
<hr/>	
Midpoint of the Seadrill debt value .....	7,068
Less: NSN discount (pre-issuance accrued interest) .....	(5)
Less: NSN debt issuance cost .....	(9)
<b>Pro forma recognized debt</b> .....	<b>7,054</b>

- t) Reflects the fair value adjustment to remove deferred mobilization revenue, which the Company has determined to have no future performance obligations. Deferred mobilization revenue of USD 37 million and USD 18 million are included in current and other non-current liabilities, respectively.

- u) Reflects the adjustment to remove net carrying value of unfavorable contracts for USD 23 million included in current liabilities as well as reverse corresponding amortization of unfavorable contracts of USD 43 million from other revenues.

The reduction of the amortization of unfavorable contracts related to the unfavorable contracts removed from current liabilities is a recurring item.

- v) Reflects the fair value adjustment of deferred tax liabilities as a result of applying fresh-start accounting.
- w) Reflects the fresh-start accounting adjustment to reset retained earnings and accumulated other comprehensive income.
- x) Reflects the cumulative impact of Seadrill's fresh-start accounting adjustments as discussed in notes o) to z).
- y) Reflects the fair value adjustment of non-controlling interest for AOD from carrying value of USD 149 million to the midpoint fair value of USD 31 million.
- z) Reflects the adjustments to depreciation expense for the drilling units of Seadrill due to recording balances at fair value as a result of the adoption of fresh-start accounting as of the Effective Date. There was no impairment expense related to long-lived assets in 2017. The drilling units were depreciated at an estimated remaining weighted-average useful life of 22.4 years.

The reduction of the depreciation related to the drilling units that have been recorded at fair value as of the Effective Date is a recurring item.

## 12 OPERATING AND FINANCIAL REVIEW

*This operating and financial review should be read together with Section 10 "Selected financial information" and the Financial Statements and related notes included in this Prospectus by reference (see Section 19.3 "Incorporation by reference"). The audited Financial Statements have been prepared in accordance with U.S. GAAP. The Financial Statements have been audited by PwC, as set forth in their report thereon included therein.*

*The operating and financial review contains forward-looking statements. These forward-looking statements are not historical facts, but are rather based on the Company's current expectations, estimates, assumptions and projections about the Group's industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of several factors, including those discussed in Section 2 "Risk factors" and Section 4.4 "Cautionary note regarding forward-looking statements", as well as other Sections of this Prospectus.*

### 12.1 Overview and presentation

#### 12.1.1 Introduction of the Group

The Group provides drilling and related services to the offshore oil and gas industry. The split of the Group's organization into segments has historically been based on differences in management structure and report, economic characteristics, customer base, asset class and contract structure.

#### 12.1.2 Reporting segments

The Group reports on the following three operating segments:

#### Floater

Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to semi-submersible rigs and drillships for harsh and benign environments in mid-, deep- and ultra-deep waters.

#### Jack-up rigs

Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to jack-up rigs for operations in harsh and benign environments.

#### Other

Operations include management services to third and related parties. Income and expenses from these management services are classified under this segment.

Segment results are evaluated on the basis of operating profit, and the information given in Section 12.2 to Section 12.9 below is based on the internal reporting structure the Group has in place for reporting to Management and the Board of Directors. The accounting principles for the segments are the same as for the Financial Statements.

The table below summarizes the development of the Group's fleet of drilling units (excluding newbuildings) for the periods presented, based on the dates when the units began operations.

	Jack-up rigs	Drillships	Floaters Semi-submersible rigs	Total units
<b>31 December 2014</b>	<b>24</b>	<b>7</b>	<b>12</b>	<b>43</b>
Additions	-	1	-	1
Disposals	(5)	(1)	-	(6)
<b>31 December 2015</b>	<b>19</b>	<b>7</b>	<b>12</b>	<b>38</b>
Additions	-	-	-	-
Disposals	-	-	-	-
<b>31 December 2016</b>	<b>19</b>	<b>7</b>	<b>12</b>	<b>38</b>
Additions	-	-	-	-
Disposals	(3)	-	-	(3)
<b>31 December 2017</b>	<b>16</b>	<b>7</b>	<b>12</b>	<b>35</b>

The disposals in 2017 relates to the disposal of West Triton and West Resolute in May 2017 and the disposal of the West Mischief in September 2017 to Shelf Drilling. There were no disposals of drilling units in 2016. Additions of

drilling units relate primarily to the completion of the Group's newbuildings in 2015. The disposals in 2015 related to the deconsolidation of five jack-up rigs relating to SeaMex on 10 March 2015, and the disposal of the West Polaris to Seadrill Partners on 19 June 2015.

Since the year end 31 December 2017, the Group entered into a settlement and release agreement with Jurong for the sale of the newbuilding named West Rigel (newbuildings are excluded from the table above). No additions to the fleet has been made since year end 31 December 2017.

#### 12.1.3 *Factors affecting the Group's results of operations*

The principal factors that the Company believes to have affected the Group's results and are expected to affect the Group's future results of operations and financial position include, but are not limited to, the following:

- the Group's ability to successfully employ its drilling units at economically attractive dayrates as long-term contracts expire or are otherwise terminated;
- the ability to maintain good relationships with existing customers and to increase the number of customer relationships;
- the number and availability of the Group's drilling units;
- fluctuations and the current decline in the price of oil and gas, which influence the demand for offshore services;
- the effective and efficient technical management of the Group's drilling units;
- the ability to obtain and maintain major oil and gas company approvals to satisfy their quality, technical, health, safety and compliance standards;
- economic, regulatory, political and governmental conditions that affect the offshore drilling industry;
- accidents, natural disasters, adverse weather, equipment failure or other events outside the Group's control that may result in downtime;
- mark-to-market changes in interest rate swaps, including changes in counterparty credit risk;
- foreign currency exchange gains and losses;
- increases in crewing and insurance costs and other operating costs;
- the level of debt and the related interest expense and amortization of principal;
- the impairment of goodwill, investments, drilling units and other assets;
- gains on disposals of assets;
- interest and other financial items;
- acquisitions and divestitures of businesses and assets;
- the Group's restructuring process under Chapter 11 and the implementation of fresh-start accounting from the Effective Date;
- tax expenses; and
- the deconsolidation of subsidiaries.

Reference is made to Section 2 "Risk factors" for a discussion of certain risks inherent to the Group's business.

#### 12.1.4 *Important financial terms and concepts*

Set out below is an overview of important financial terms and concepts to the Financial Statements.

##### *Contract revenues*

In general, the Group contracts its drilling units to oil and gas companies to provide offshore drilling services at an agreed dayrate for a specified contract term. Dayrates can vary, depending on the type of drilling unit and its capabilities, contract length, geographical location, operating expenses, taxes and other factors such as prevailing economic conditions. The Group no longer provides "turnkey" or other risk-based drilling services to the customer.

Instead, the Group provides a drilling unit and rig crews and charge the customer a fixed amount per day regardless of the number of days needed to drill the well. The customer bears substantially all the ancillary costs of constructing the well and supporting drilling operations, as well as most of the economic risk relative to the success of the well.

Where operations are interrupted or restricted due to equipment breakdown or operational failures, the Group does not generally receive dayrate compensation for the period of the interruption in excess of contractual allowances. Furthermore, the dayrate received can be reduced in instances of interrupted or suspended service due to, among other things, repairs, upgrades, weather, maintenance, force majeure or requested suspension of services by the customer and other operating factors.

However, contracts normally allow for compensation when factors beyond the Group's control, including weather conditions, influence the drilling operations and, in some cases, for compensation when the Group performs planned maintenance activities. In some of the Group's contracts, the Group is entitled to cost escalation to compensate for industry specific cost increases as reflected in publicly available cost indices.

The Group may receive lump sum or dayrate based fees for the mobilization of equipment and personnel or for capital additions and upgrades prior to the start of drilling services. In some cases, the Group may also receive lump sum or dayrate based fees for demobilization upon completion of a drilling contract. The Group recognizes revenue for mobilization, capital upgrades and non-contingent demobilization fees on a straight-line basis over the expected contract term. The Group recognizes revenue for contingent demobilization fees as earned upon completion of the contract.

The Group's contracts may generally be terminated by the customer in the event the drilling unit is destroyed or lost or if drilling operations are suspended for an extended period because of a breakdown of major rig equipment, "force majeure" or upon the occurrence of other specified conditions. Some contracts include provisions that allow the customer to terminate the contract without cause for a specified early termination fee.

A drilling unit may be "stacked" if it has no contract in place. Drilling units may be either warm stacked or cold stacked. When a rig is warm stacked, the rig is idle but can deploy quickly if an operator requires its services. Cold stacking a rig involves reducing the crew to either zero or just a few key individuals and storing the rig in a harbor, shipyard or designated area offshore.

In certain countries, taxes such as sales, use, value-added, gross receipts and excise may be assessed by the local government on the Group's revenues. The Group records tax-assessed revenue transactions on a net basis in the consolidated statement of income.

#### *Other revenues*

Other revenues include amounts recognized as early termination fees under the drilling contracts which have been terminated prior to the contract end date, unfavorable contracts, related party revenues and external management fees. Early termination fees are recognized as and when any contingencies or uncertainties associated with the Group's rights to receive are resolved and favorable and unfavorable drilling contracts are recognized at fair value at the date of acquisition. Related party revenues relate to management support and administrative services provided to Seadrill Partners and SeaMex. External management fees relate to operational, administrative and support services that the Group provides to third parties.

The Group's other revenues consist of the following:

*(In USD millions)*

	Year ended 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
Revenues related party .....	110	100	119
Amortization of unfavorable contracts .....	43	65	116
External management fees with third parties .....	1	19	30
Termination revenue .....	8	69	-
<b>Total</b> .....	<b>162</b>	<b>253</b>	<b>265</b>

Related party revenues

Related party revenues relate to management support and administrative services provided during the year to the Group's associates in which investments have been made. Reference is made to Section 14 "Related party transactions" for more information on the Group's related party transactions.

Unfavorable contracts

The unfavorable contract values in 2017, 2016 and 2015 arose primarily from Old Seadrill's acquisition of Sevan Drilling ASA. The residual unfavorable contract amortized in 2016 arose from the Sevan Driller, which finished amortizing in March 2016 on termination of contract. The residual unfavorable contract amortized in 2015 arose from the acquisition of the Songa Eclipse, which finished amortizing in May 2015.

External management fees with third parties

External management fees relate to the operational, administrative and support services that the Group provides to Sapura Kencana as part of the agreement entered into when the Group sold the majority of its tender rig business. As the associated rigs were not operational from April 2017, no further management fees were recognized after this date.

Termination revenue

The total termination fee for the West Hercules was USD 66 million of which USD 58 million was recognized in 2016 and remaining USD 8 million recognized in January 2017. In 2016, an additional USD 11 million of termination revenue was recognized for the early termination on the West Epsilon contract.

*Economic utilization*

Economic utilization is calculated as the total revenue, excluding bonuses, received divided by the full operating dayrate multiplied by the number of days on contract in the period.

If a drilling unit earns its full operating dayrate throughout a reporting period its economic utilization would be 100%. However, there are many situations that give rise to a dayrate being earned that is less than the contractual operating rate. In such instances economic utilization reduces below 100%.

Examples of situations where the drilling unit would operate at reduced operating dayrates, include, among others, (i) a standby rate, where the rig is prevented from commencing operations for reasons such as bad weather, waiting for customer orders, waiting on other contractors; (ii) a moving rate, where the drilling unit is in transit between locations; a reduced performance rate in the event of major equipment failure; or (iii) a force majeure rate in the event of a force majeure that causes the suspension of operations. In addition, the drilling unit could operate at a zero rate in the event of a shutdown of operations for repairs where the general repair allowance has been exhausted or for any period of force majeure in excess of a specific number of days allowed under a drilling contract.

*Reimbursable revenues and expenses*

Reimbursable revenues are revenues that constitute reimbursements from the Group's customers for reimbursable expenses. Reimbursable expenses are expenses the Group incurs on behalf, and at the request, of customers, and include provision of supplies, personnel and other services that are not covered under the drilling contract.

*Gain/loss on disposal*

From time to time the Group may sell, or otherwise dispose of, drilling units, businesses, and other fixed assets, to external parties or related parties. In addition, assets may be classified as "held for sale" on the balance sheet when, among other things, the Group is committed to a plan to sell assets, and consider a sale probable within twelve months. The Group may recognize a gain or loss on disposal depending on whether the fair value of the consideration received is higher or lower than the carrying value of the asset.

*Operating expenses*

The Group's operating expenses consist primarily of vessel and rig operating expenses, reimbursable expenses, the impairment of goodwill and drilling units, depreciation and amortization, and general and administrative expenses.



Vessel and rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked. This includes the personnel costs of offshore crews, running costs of the rigs, expenditures for repairs and maintenance activities and costs for onshore personnel that provide operational support to the rigs.

Loss on impairment of goodwill and drilling units is based on Management's review of these assets for impairment, which is done at least once each year or more often if there are factors indicating that it is more likely than not that the fair value of these assets will be lower than their respective carrying value. Please see "Critical Accounting Estimates" below for further information.

Depreciation and amortization costs are based on the historical cost of the Group's drilling units. Drilling units are recorded at historical cost less accumulated depreciation. The cost of these assets less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of the Group's rigs, when new, is 30 years. Costs related to periodic surveys and other major maintenance projects are capitalized as part of drilling units and amortized over the anticipated period covered by the survey or maintenance project, which is up to five years. These costs are primarily shipyard costs and the cost of employees directly involved in the work. Amortization costs for periodic surveys and other major maintenance projects are included in depreciation and amortization expense.

General and administrative expenses include the costs of the Group corporate and regional offices in various locations, legal and professional fees unrelated to the Chapter 11 Proceedings, property cost as well as the remuneration and other compensation of the officers, directors and employees engaged in the management and administration of the Group.

#### *Financial items and other income/expense*

The Group's financial items and other income/expense consist primarily of interest income, interest expense, share in results from associated companies, impairment of investments, gain/loss on derivative financial instruments, foreign exchange gain/loss and other non-operating income or expenses.

The amount of interest expense recognized depends on the overall level of debt the Group has incurred and prevailing interest rates under the Group's debt agreements. However, overall interest expense may be reduced as a consequence of the capitalization of interest expense relating to drilling units under construction. The filing of the bankruptcy petition constituted an event of default with respect to the Group's existing debt obligations. Accordingly, the pre-petition secured and unsecured indebtedness became immediately due and payable and any efforts to enforce such payment obligations are automatically stayed as a result of Chapter 11 cases. During the Chapter 11 Proceedings the Group continued to make interest payments on the secured credit facilities. These were treated as adequate protection payments which are recognized as a reduction in the principal balance of secured credit facilities held within "Liabilities subject to compromise" in the consolidated balance sheets. USD 81 million of adequate protection payments were recognized from the "**Petition Date**" (being 12 September 2017, the date on which the Chapter 11 cases were commenced) to 31 December 2017. The Debtors discontinued recording interest on unsecured bond facilities classified as "Liabilities Subject to Compromise" from the Petition Date. Contractual interest on liabilities subject to compromise not reflected in the consolidated statements of operations was USD 129 million.

Share in results from associated companies recognized relates to the Group's share of earnings or losses in the Group's investments accounted for as equity method investments.

Impairment of investments are recorded when a fall in the value of the Group's investments is determined to be other than temporary. Management's reviews the Group's investment in marketable securities and associated companies on a quarterly basis and makes its determination on the basis of the longevity and severity of any fall in the respective value of such investments, among other available information.

Gains/losses recognized on derivative financial instruments reflect various mark-to-market adjustments to the value of the Group's interest rate and forward currency swap agreements and other derivative financial instruments, and the net settlement amount paid or received on swap agreements. Any related changes in fair value as a result of changes in the Group's own and counterparty credit risk may have a significant impact on the Group's results of operations and financial position.

Foreign exchange gains/losses recognized generally relate to transactions and revaluation of balances carried in currencies other than USD.

Reorganization items include income, expenses and gains and losses directly associated with reorganization proceedings and include; professional fees directly associated with the Chapter 11 Proceedings, unamortized debt issuance costs written off, gains/losses on pre-petition allowable claims and interest income on surplus cash. Other non-operating income or expense relates to items that generally do not fall within any other categories listed.

#### *Income taxes*

Income tax expense consists of taxes currently payable and changes in deferred taxes assets and liabilities related to the Group's ownership and operation of drilling units and may vary significantly depending on jurisdictions and contractual arrangements. In most cases the calculation of taxes is based on net income or deemed income, the latter generally being a function of gross revenue.

#### **Critical accounting estimates**

The preparation of the Financial Statements requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures about contingent assets and liabilities. These estimates and assumptions are based on historical experience, available information and assumptions believed to be reasonable. The critical accounting estimates are important factors to the Group's financial condition and results of operations, and require the Group to make subjective or complex assumptions or estimates about matters that are uncertain. The Group's significant accounting policies are discussed in Note 2 "Accounting Policies" to the Financial Statements included herein by reference (see Section 19.3 "Incorporation by reference"). The Company believes that the following are the critical accounting estimates used in the preparation of the Financial Statements. In addition, there are other items in the Financial Statements that require estimation.

#### *Drilling units*

The carrying amount of the Group's drilling units is subject to various estimates, assumptions, and judgments related to capitalized costs, useful lives and residual values and impairments. At 31 December 2017 and 2016, the carrying amount of the Group's drilling units was USD 13 billion and USD 14 billion, respectively, representing 73% and 66% of the Group's total assets, respectively. At 31 December 2015 the carrying amount of the Group's drilling units was USD 15 billion, representing 64% of the Group's total assets.

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of the Group's semi-submersible drilling rigs, drillships and tender rigs, when new, is 30 years.

Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

The Group determines the carrying value of its assets based on policies that incorporate estimates, assumptions and judgments relative to the carrying value, remaining useful lives and residual values. These assumptions and judgments reflect both historical experience and expectations regarding future operations, utilization and performance. The use of different estimates, assumptions and judgments in establishing estimated useful lives and residual values could result in significantly different carrying values for the Group's drilling units which could materially affect the Group's results of operations.

The useful lives of rigs and related equipment are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. The Group re-evaluates the remaining useful lives of its drilling units as and when events occur which may directly impact its assessment of their remaining useful lives. This includes changes to the operating condition or functional capability of the Group's rigs as well as market and economic factors.

The carrying values of the Group's long-lived assets are reviewed for impairment when certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. The Group

assesses recoverability of the carrying value of an asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In general, impairment analyses are based on expected costs, utilization and dayrates for the estimated remaining useful lives of the asset or group of assets being assessed. An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount is not recoverable.

The carrying values of the Group's long-lived assets, such as its drilling units, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Group first assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment is made to the market value or to the discounted future net cash flows. In general, impairment analyses are based on expected costs, utilization and dayrates for the estimated remaining useful lives of the asset or group of assets being assessed. An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount is not recoverable. Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by the Group's assets, and reflect Management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in significantly different carrying values of the Group's assets and could materially affect the Group's results of operations.

During the years ended 31 December 2017, 2016 and 2015 the Group identified indicators that the carrying value of its units may not be recoverable. Market indicators included the reduction in new contract opportunities, fall in market dayrate and contract terminations. The Group assessed recoverability of its drilling units by first evaluating the estimated undiscounted future net cash flows based on projected dayrates and utilizations of the units. The estimated undiscounted future net cash flows were found to be greater than the carrying value of the Group's drilling units, with sufficient headroom. As a result, the Group did not need to proceed to assess the discounted cash flows of its drilling units, and no impairment charges were recorded.

With regard to older drilling units which have relatively short remaining estimated useful lives, the results of impairment tests are particularly sensitive to Management's assumptions. These assumptions include the likelihood of the unit obtaining a contract upon the expiration of any current contract, and the Group's intention for the drilling unit should no contract be obtained, including warm/cold stacking or scrapping. The use of different assumptions in the future could potentially result in an impairment of drilling units, which could materially affect the Group's results of operations. If market supply and demand conditions in the ultra-deepwater offshore drilling sector do not improve, it is likely that the Group will be required to impair certain drilling units.

#### *Impairment of equity method investments and marketable securities*

The Group assesses its equity method investments and marketable securities for impairment during each reporting period to evaluate whether an event or change in circumstances has occurred in that period which may have a significant adverse effect on the carrying value of the investment. The Group records an impairment charge for other-than-temporary declines in fair value when the fair value is not anticipated to recover above the carrying value within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required. If an impairment charge is recorded, subsequent recoveries in fair value are not reflected in earnings until the equity method investee is sold.

The deteriorating market conditions in the oil and gas industry, as well as the supply and demand conditions in the industry in which the Group operates, are considered to be indicators of impairment. The Group determined that the length and severity of the deterioration of market conditions affecting its investments was representative of an other than temporary impairment for the years ended 31 December 2017, 2016 and 2015. During 2017, the Group recognized a total impairment loss of USD 841 million, compared to USD 895 million in 2016 and USD 1,285 million in 2015.

The evaluation of whether a decline in fair value is "other than temporary" requires a high degree of judgment and the use of different assumptions that could materially affect the Group's earnings, as described below.

The fair value of equity method investments (Seadrill Partners - direct ownership interest and interest in subordinated units) was derived using an income approach which discounts future free cash flows, or the discounted cash flow

("DCF") model. The estimated future free cash flows associated with the investments are primarily based on expectations around applicable dayrates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures, and applicable tax rates. The fair value of investments accounted for using the cost method (Seadrill Partners - Seadrill member interest and incentive distribution rights ("IDRs")) was determined using a Monte Carlo simulation method, or the "**Monte Carlo Model**". The assumptions used in the Monte Carlo Model were derived from both observable and unobservable inputs and are based on management's judgments and assumptions available at the time of performing the impairment test. The method takes into account the cash distribution waterfall, historical volatility, estimated dividend yield and the share price of the common units as at the deconsolidation date. The Group employs significant judgment in developing these estimates and assumptions.

The use of different assumptions would likely have a material impact on the impairment charge recognized and the Group's consolidated statement of operations. If actual events differ from Management's estimates, or to the extent that these estimates are adjusted in the future, the Group's financial condition and results of operations could be affected in the period of any such change of estimate.

The table below summarizes the total impairments of investments made during the years ended 31 December 2017, 2016 and 2015:

(In USD millions)

	Year ended 31 December		
	2017 (audited)	2016 (audited)	2015 (audited)
<b>Impairments of marketable securities</b>			
Seadrill Partners – Common units.....	-	153	574
Sapura Energy Berhad.....	-	-	178
<b>Total impairment of marketable securities investments (reclassification from OCI) .....</b>	<b>-</b>	<b>153</b>	<b>752</b>
<b>Impairments of investments in associated companies</b>			
Seadrill Partners – Total direct ownership investments .....	723	400	302
Seadrill Partners – Subordinate units.....	82	180	125
Seadrill Partners – Seadrill Member Interest and IDRs .....	-	73	106
SeaMex.....	36	76	-
Sete Brasil Participacoes SA.....	-	13	-
<b>Total impairment of investments in associated companies .....</b>	<b>841</b>	<b>742</b>	<b>533</b>
<b>Total impairment of investments.....</b>	<b>841</b>	<b>895</b>	<b>1,285</b>

#### *Seadrill Partners – Common units – Impairment of marketable securities*

Seadrill Partners was deconsolidated in January 2014, and as a result the Group's investment in Seadrill Partners' common units was recognized at a market value of USD 30.60 per unit. Additional common units were purchased in 2014 at a similar price. In October 2014, the Seadrill Partners' unit price began to fall below USD 30.60 and dropped to USD 9.40 on 30 September 2015, as a result of deteriorating market conditions in the oil and gas industry and supply and demand conditions in the ultra-deepwater offshore drilling sector. During the period between 30 June 2015 and 20 September 2015, Seadrill Partners' unit price fell by approximately 20% (based on the spot price and trailing three month average basis).

As at 30 September 2015, Management determined that the Group's investment in Seadrill Partners' common units was "other than temporarily impaired" due to the length and severity of the reduction in value below historical cost. As a result the investment was impaired, where an impairment charge of USD 574 million has been recognized within "Loss on impairment of investments" in the consolidated statement of operations. This impairment charge represents a reclassification of losses previously recognized within "other comprehensive income/(loss)". The amount reclassified out of "accumulated other comprehensive income" into earnings was determined on the basis of average cost. During the period between 30 September 2015 and 30 September 2016, Seadrill Partners' unit price fell by approximately 62%, on both a spot price and trailing three-month average basis.

As at 30 September 2016, the Group's investment in Seadrill Partners' common units was determined as "other than temporarily impaired" due to the length and severity of the reduction in value below historical cost. As a result the investment was impaired, where an impairment charge of USD 153 million was recognized within "Loss on impairment

of investments" in the consolidated statement of operations. This impairment charge represents a reclassification of losses previously recognized within "other comprehensive income/(loss)". The amount reclassified out of "accumulated other comprehensive income" into earnings was determined on the basis of average cost.

During the three months ended 31 December 2016, Seadrill Partners' unit price increased from approximately USD 3.53 at 30 September 2016 to USD 4.20 at 31 December 2016. As at 31 December 2016, an unrealized gain of USD 17 million had been recognized in "accumulated other comprehensive income", as a result of re-measuring the value of Old Seadrill's investment in the common units of Seadrill Partners to the market price as at 31 December 2016.

In the period ended 31 December 2017, an unrealized loss of USD 14 million has been recognized in "accumulated other comprehensive income", as a result of re-measuring the value of the Group's investment in the common units of Seadrill Partners to the market price as at 31 December 2017. The closing stock price of USD 3.57 remains above the stock price as at the previous impairment assessment date, therefore does not indicate that Old Seadrill's investment in common units is "other than temporarily impaired".

*Seadrill Partners – Subordinated units and direct ownership interests – Impairment of equity method investment*

While the Group's investments in Seadrill Partners that are held under the equity method are not publicly traded, the reduction in value of the publicly traded common units is considered to be an indicator of impairment.

As at 30 September 2015 and 2016, and 31 December 2017, the Group determined the length and severity of the reduction in value of the traded units to be representative of an "other than temporary" impairment. As such the Group has measured and recognized an impairment of the investment in the subordinated units and direct ownership interests in each of these periods.

The fair value of these investments was derived using the DCF model. The estimated future free cash flows associated with the investments are primarily based on expectations around applicable dayrates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures, and applicable tax rates. The cash flows are estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total, and discounted using an estimated market participant weighted average cost of capital of 8.5% in 2015, 9.5% in 2016 and 9.75% in 2017, which was relevant to the investee. The DCF model derived an enterprise value of the investments, after which associated debt was subtracted to provide equity values. The implied valuation of Seadrill Partners derived from the DCF model was cross-checked against the market price of Seadrill Partners' common units. The Group evaluated the difference by reviewing the implied control premium compared to other market transactions within the industry. The Group deems the implied control premium to be reasonable in the context of the data considered.

The assumptions used in the DCF model were derived from significant unobservable inputs (representative of Level 3 inputs for fair value measurement) and are based on Management's judgments and assumptions available at the time of performing the impairment test. The Group employs significant judgment in developing these estimates and assumptions including the following:

- forecast dayrates for the drilling contracts;
- utilization rates;
- operating costs and overheads;
- estimated annual capital expenditure, cost of rig replacement and/or enhancement programs;
- estimated maintenance, inspections or other costs associated with a rig after completion/termination of the contract;
- remaining useful life of each rig; and
- estimated tax rates.

The underlying assumptions and assigned probabilities of occurrence for utilization and dayrate scenarios were developed using a methodology that examines historical data for each rig, which considers the rig's age, rated water depth and other attributes and then assesses its future marketability in light of the current and projected market environment at the time of assessment. Other assumptions, such as operating, maintenance and inspection costs,

are estimated using historical data adjusted for known developments and future events that are anticipated by management at the time of the assessment. Management's assumptions are necessarily subjective and are an inherent part of the Group's asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported. Management's assumptions involve uncertainties about future demand for the Group's services, dayrates, expenses and other future events, and Management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially alter the Group's analysis in testing an asset for potential impairment.

The Group compared the carrying value of each rig to its relative recoverable value determined using undiscounted cash flow projections for each rig. For each rig with a carrying value in excess of its undiscounted cash flows, the Group computed its impairment based on the difference between the carrying value and fair value of the rig.

As at 30 September 2015, the carrying value of the subordinated units was found to exceed the fair value by USD 125 million, and the carrying value of the direct ownership interests was found to exceed the fair value by USD 302 million. As at 30 September 2016, the carrying value of the subordinated units was found to exceed the fair value by USD 180 million, and the carrying value of the direct ownership interests was found to exceed the fair value by USD 400 million. As at 31 December 2017, the carrying value of the subordinated units was found to exceed the fair value by USD 82 million, and the carrying value of the direct ownership interests was found to exceed the fair value by USD 723 million. The Group recognized this impairment of the investments within "Loss on impairment of investments" in the consolidated statement of operations for the years ended 31 December 2017, 2016 and 2015.

#### *Seadrill Partners – Member interest – Impairment of cost method investments*

The Group also holds the Seadrill member interest, or "**Seadrill Member Interest**", which is a 0% non-economic interest, and which holds the rights to 100% of the incentive distribution rights, or IDRs, of Seadrill Partners. The Seadrill Member Interest and the IDRs in Seadrill Partners are accounted for as cost-method investments on the basis that they do not represent common stock interests and their fair value is not readily determinable. The fair value of Old Seadrill's interest in the Seadrill Member Interest and the attached IDRs at deconsolidation in January 2014, was determined using the Monte Carlo Model.

The assumptions used in the Monte Carlo Model were derived from both observable and unobservable inputs and are based on Management's judgments and assumptions available at the time of performing the impairment test. The method takes into account the cash distribution waterfall, historical volatility, estimated dividend yield and the share price of the common units as at the deconsolidation date. The Group employs significant judgment in developing these estimates and assumptions. The use of different assumptions would likely have a material impact on the impairment charge recognized and the consolidated statement of operations. If actual events differ from Management's estimates, or to the extent that these estimates are adjusted in the future, the Group's financial condition and results of operations could be affected in the period of any such change of estimate.

As at 30 September 2015 and 2016, the reduction in value of the Seadrill Partners common units was determined to be an indicator of impairment of the Seadrill Member Interest. The fair value was determined using the Monte Carlo Model, updated for applicable assumptions as at 30 September 2015 and 2016. As at 30 September 2015, the carrying value of the investment was found to exceed the fair value by USD 106 million. As at 30 September 2016, the carrying value of the investment was found to exceed the fair value by USD 73 million. The Group has recognized this impairment within "Loss on impairment of investments" in the consolidated statement of operations for the year ended 31 December 2016 and 2015. No impairment was identified in the year ended 31 December 2017.

#### *SeaMex – Impairment of investment in associated companies*

The deteriorating market conditions in the oil and gas industry and supply and demand conditions in the offshore drilling sector in which SeaMex operates is considered to be an indicator of impairment. The Group has determined the length and severity of the deterioration of market conditions to be representative of an other than temporary impairment. As such it has measured and recognized an other than temporary impairment of the investment in SeaMex as at 31 December 2017 and as at 30 September 2016.

The fair value was derived using the DCF model. The estimated future free cash flows associated with the investment were primarily based on expectations around applicable day rates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures and applicable tax rates. The cash flows were estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total, and discounted using an estimated

market participant weighted average cost of capital of 11% for 2016 and 10.25% for 2017. The DCF model derived an enterprise value of the investments, after which associated debt was subtracted to provide equity values. As at 31 December 2017, the carrying value of the investment was found to exceed the fair value by USD 36 million. As at 30 September 2016, the carrying value of the investment was found to exceed the fair value by USD 76 million. The Group has recognized this impairment of the investments within "Loss on impairment of investments" in the consolidated statement of operations for the year ended 31 December 2017 and 2016.

The assumptions used in the DCF models were derived from unobservable inputs and are based on Management's judgments and assumptions available at the time of performing the impairment test. The significant assumptions and estimate used in the model are discussed in detail under "Seadrill Partners - Subordinated units and direct ownership interests - Impairment of equity method investment" above. The Group employs significant judgment in developing these estimates and assumptions. The use of different assumptions, particularly with regard to the most sensitive assumptions concerning estimated future dayrates and utilization and the assumed market participant discount rate, would have a material impact on the impairment charge recognized and the consolidated statement of operations. In addition, if actual events differ from Management's estimates, or to the extent that these estimates are adjusted in the future, the Group's financial condition and results of operations could be affected in the period of any such change of estimate.

#### *Sapura Energy Berhard – Impairment of marketable securities*

During the period from 30 September 2014 to 30 September 2015, *Sapura Energy Berhard's* share price fell by approximately 45% as a result of deteriorating market conditions in the oil and gas industry. Between 30 June 2015 and 30 September 2015, the value of the investment fell by approximately 20% as a result of the declining share price and USD to Malaysian ringgit exchange rate. At 30 September 2015, Old Seadrill determined that the investment in *Sapura Energy Berhard* was other than temporarily impaired due to the length and severity of the reduction in value below historic cost.

As at 30 September 2015, the Group recognized an impairment charge of USD 178 million within "loss on impairment of investments". This impairment charge represents a reclassification of losses previously recognized within "other comprehensive income". The amount reclassified out of "accumulated other comprehensive income" into earnings was determined on the basis of average cost.

An additional net impairment charge was recognized to bring the carrying value of the asset to the realizable value of USD 195 million as at 31 December 2015. The resulting net impairment was a loss of USD 11 million, which is recognized within "Loss on impairments of investments" in the consolidated statement of operations. The total investment impairment charge for *Sapura Energy Berhard* recognized in the year ended 31 December 2015 was USD 178 million.

On 27 April 2016, Old Seadrill sold its entire shareholding in *Sapura Energy Berhard* for net proceeds of USD 195 million, net of transaction costs.

#### *12.1.5 Financial instruments – Derivative valuations*

The filing for the Chapter 11 Proceedings triggered an event of default under the Group's derivative agreements, and the interest rate and cross-currency interest rate swaps were therefore held at terminated value. As such, any credit risk adjustment on these arrangements was taken to the consolidated statement of operations within "Reorganization items, net".

#### *12.1.6 Goodwill*

The Group allocates the purchase price of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being capitalized as goodwill. Goodwill is tested for impairment at least annually, usually as at 31 December for each reporting segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by Management. The Group has determined that its reporting units are the same as its operating segments for the purpose of allocating goodwill and the subsequent testing of goodwill for impairment.

The Group fully impaired the book value of its goodwill in the financial period ended 30 September 2015, recognizing an impairment charge of USD 563 million. The Group first assessed the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining

whether it is necessary to perform the two-step goodwill impairment test. The estimated fair value of the reporting unit was derived using an income approach, using discounted future free cash flows. The Group's estimated future free cash flows are primarily based on expectations around dayrates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures, and applicable tax rates. The cash flows are estimated over the remaining useful economic lives of the assets but no longer than 30 years in total, and discounted using an estimated market participant weighted average cost of capital of 10%. The assumptions used in the Group's estimated cash flows were derived from unobservable inputs and are based on Management's judgments and assumptions available at the time of performing the goodwill impairment test. For each of the Group's last annual impairment review and the interim review of goodwill, it elected to bypass the qualitative assessment given the decline in market conditions in the offshore drilling industry and performed the two-step goodwill impairment test.

#### *12.1.7 Income taxes*

Seadrill and Old Seadrill are Bermuda companies, however, the Group has a number of subsidiaries and affiliates in various jurisdictions outside Bermuda. Old Seadrill and Seadrill are not required to pay income taxes in Bermuda on ordinary income or capital gains. Both Old Seadrill and Seadrill have received written assurance from the Minister of Finance in Bermuda that they would be exempt from taxation until March 2035. Certain of the companies within the Group operate in jurisdictions where income taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. The income tax expense is based on income, statutory tax rates and tax planning opportunities available in the various jurisdictions where the Group operates. Income taxes are provided based on the tax laws and rates in effect in the countries where the Group's operations are conducted and income is earned. The income tax rates and methods of computing taxable income vary substantially between jurisdictions. The income tax expense is expected to fluctuate from year to year because the Group's operations are conducted in different tax jurisdictions and the amount of pre-tax income fluctuates.

The determination and evaluation of the Group's annual group income tax provision involves the interpretation of tax laws in the various jurisdictions in which the Group operates and requires significant judgment and the use of estimates and assumptions regarding significant future events, such as amounts, timing and the character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. The Group recognizes tax liabilities based on an assessment of whether its tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authority's widely understood administrative practices and precedence. Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or the Group's levels of operations or profitability in each jurisdiction may impact the tax liability in any given year. While the Group's annual tax provision is based on the information available to the Group at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of the Group's income tax liability for the current year, withholding taxes, changes in prior year tax estimates as tax returns are filed or from tax audit adjustments. The deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as at the valuation allowances, the Group must make estimates and certain assumptions regarding future taxable income, including where its drilling units are expected to be deployed, as well as other assumptions related to its future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require an adjustment of the deferred tax assets, liabilities or valuation allowances.

#### *12.1.8 Recently adopted issued accounting standards*

The Financial Statements have been prepared in accordance with U.S. GAAP, and are included in this Prospectus by reference (see Section 19.3 "Incorporation by reference"). Reference is made to Note 2 of the Financial Statements for a list of recently issued and adopted accounting standards, which may impact the Financial Statements and related disclosures when adopted. Old Seadrill (the predecessor) adopted standards that became effective at 1 January 2018 and the results of this adoption were in line with Note 2 of the Financial Statements. There is not expected to be any material impact in Seadrill's (the Successor) financial statements as a result of the adoption of these new standards.

The assessment of the impact of new standards coming into effect from 1 January 2019 onwards remains as described in Note 2 of the Financial Statements.



## 12.2 The Group's results of operations

### 12.2.1 The year ended 31 December 2017 compared to the year ended 31 December 2016

The table below sets forth the Group's operating results by segment for the year ended 31 December 2017 and compared to the year ended 31 December 2016.

(In USD millions)

	Year ended 31 December							
	2017 (audited)				2016 (audited)			
	Jack-up		Other	Total	Jack-up		Other	Total
Floaters	rigs	Floaters			rigs			
<b>Total operating revenues</b>	<b>1,387</b>	<b>617</b>	<b>84</b>	<b>2,088</b>	<b>2,212</b>	<b>865</b>	<b>92</b>	<b>3,169</b>
Loss on disposals.....	(79)	(166)	-	(245)	-	-	-	-
Contingent consideration realized.....	27	-	-	27	21	-	-	21
Total operating expenses (excluding impairment of long-lived assets).....	(1,261)	(563)	(78)	(1,902)	(1,430)	(598)	(92)	(2,120)
Loss on impairment of long-lived assets.....	(696)	-	-	(696)	(44)	-	-	(44)
<b>Operating (loss)/income.....</b>	<b>(622)</b>	<b>(112)</b>	<b>6</b>	<b>(728)</b>	<b>759</b>	<b>267</b>	<b>-</b>	<b>1,026</b>
Interest expense.....	-	-	-	(285)	-	-	-	(412)
Impairment of investments.....	-	-	-	(841)	-	-	-	(895)
Reorganization Items, net.....	-	-	-	(1,337)	-	-	-	-
Other financial items.....	-	-	-	155	-	-	-	325
<b>(Loss)/income before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,036)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>
Income taxes.....	-	-	-	(66)	-	-	-	(199)
<b>Net loss.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,102)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(155)</b>

The following table sets forth the development in the Group's total operating revenues, divided into segments, illustrating a total decrease of 34% from the year ended 31 December 2016 to the year ended 31 December 2017.

(In USD millions)

	Year ended 31 December			Change (in percentage)
	2017 (audited)	2016 (audited)		
Floaters.....	1,387	2,212	(37)%	
Jack-up rigs.....	617	865	(29)%	
Other.....	84	92	(9)%	
<b>Total operating revenues....</b>	<b>2,088</b>	<b>3,169</b>	<b>(34)%</b>	

#### Revenues

Total operating revenues were USD 2.1 billion for 2017, compared to USD 3.2 billion in 2016, a decrease of USD 1.1 billion, or 34%. Total operating revenues are predominantly contract revenues with additional amounts of reimbursable and other revenues. The decrease in total operating revenues compared to 2016 was primarily driven by an increase in the number of idle rigs and reductions in certain operating dayrates.

Total operating revenues in the floaters segment were USD 1.4 billion in 2017 compared to USD 2.2 billion in 2016, a decrease of USD 0.8 billion, or 37%. The decrease primarily resulted from the increase in the number of idle rigs and reductions in certain operating dayrates. The average number of floaters on contract and operating in 2017 was 8, compared to 12 in 2016. The average contracted dayrates earned by the floaters was USD 395,000 during 2017 compared to USD 445,000 during 2016. The Group also received the early termination fee for the West Hercules of USD 66 million, of which USD 8 million was recognized in 2017 and USD 58 million recognized in 2016.

Total operating revenues in the jack-up rigs segment were USD 0.6 billion in 2017 compared to USD 0.9 billion in 2016, a decrease of USD 0.3 billion, or 29%. The decrease was primarily due to an increase in the number of idle rigs and reductions in certain operating dayrates. The average number of jack-ups on contract and operating in 2017 was 9, compared to 12 in 2016. The average contracted dayrates earned by the jack-ups was USD 150,000 during 2017 compared to USD 170,000 during 2016. In addition the Group disposed of the West Triton, West Mischief and

West Resolute to Shelf Drilling. The Group also recognized an early termination fee for the West Epsilon of USD 11 million in 2016.

#### *Loss on disposals*

In 2017 the Group recorded a net loss on disposals of USD 245 million. In April 2017 the Group agreed to sell the West Triton, West Mischief and West Resolute to Shelf Drilling, recognizing a loss on disposal of USD 166 million. In July 2017, the Group amended the contractual agreement with Cosco for the Sevan Developer. Due to the renegotiated terms, the Group deemed to have lost control of the asset and the newbuilding was derecognized, resulting in a USD 79 million loss on disposal.

In April 2018, the Group entered into a settlement and release agreement, subject to the Bankruptcy Court's approval, with Jurong for the West Rigel. This was considered to provide additional evidence of the value of the asset held for sale at 31 December 2017 and therefore to reflect the agreed share of sales proceeds in the value of the asset held for sale, a USD 2 million loss on disposal was recognized.

In 2016, the Group did not record any material gains or losses on the disposal of assets.

#### *Contingent consideration realized*

In 2017, the Group recorded contingent consideration realized of USD 27 million, compared to USD 21 million in 2016, relating to the disposals of the West Polaris and West Vela.

#### *Total operating expenses (excluding loss on impairment of long-lived assets)*

The table below sets out the change in the Group's total operating expenses (excluding loss on impairment of long-lived assets), based on segments, for the year ended 31 December 2017, with comparable figures for the year ended 31 December 2016. The table shows a decrease of in total 10%.

*(In USD millions)*

	<b>Year ended</b>		
	<b>31 December</b>		
	<b>2017</b>	<b>2016</b>	
	<i>(audited)</i>	<i>(audited)</i>	<i>Change (in percentage)</i>
Floaters .....	1,261	1,430	(12)%
Jack-up rigs .....	563	598	(6)%
Other .....	78	92	(15)%
<b>Total operating expenses (excluding loss on impairment of long-lived assets) .....</b>	<b>1,902</b>	<b>2,120</b>	<b>(10)%</b>

Total operating expenses, excluding loss on impairment of long-lived assets, were USD 1,902 million in 2017 compared to USD 2,120 million in 2016, a decrease of USD 218 million or 10%. Total operating expenses consist of vessel and rig operating expenses, depreciation and amortization, reimbursable expenses and general and administrative expenses. The decrease in operating expenses resulted from a reduced number of drilling units in operation in 2017 as compared to 2016.

Total operating expenses, excluding loss on impairment of long-lived assets, for the floaters segment were USD 1,261 million in 2017 compared to USD 1,430 million in 2016, a decrease of USD 169 million, or 12%. This decrease was mainly related to the decrease in the number of operating units during the period.

Total operating expenses, excluding loss on impairment of long-lived assets, for the jack-up rigs segment were USD 563 million in 2017 compared to USD 598 million in 2016, a decrease of USD 35 million, or 6%. This decrease was mainly related to the decrease in the number of operating units during the period.

Other operating expenses predominately relate to costs associated with the provision of management services to third parties and related parties.

#### *Loss on impairment of long-lived assets*

As part of the Chapter 11 Proceedings, the Debtors negotiated and announced a global settlement with various creditors, including Samsung and DSME. The global settlement included an agreement regarding the allowed claim of the newbuild shipyards Samsung and DSME, and the Debtors' rejection and recognized termination of the newbuild

contracts for the West Dorado, West Draco, West Aquila and the West Libra. As the Plan anticipated the rejection and termination of the newbuild contracts, the Group recognized an impairment of the newbuild assets related to the West Dorado, West Draco, West Aquila and the West Libra, totaling USD 696 million, in the year ended 31 December 2017.

In 2016 a total of USD 44 million of impairments were recorded against the West Mira, following the settlement of the arbitration, as well as other impairments as a result of revisions to costs capitalized in the Group's capital spares pool.

#### *Interest expense*

Interest expense was USD 285 million in 2017 compared to USD 412 million in 2016, a decrease of USD 127 million, or 31%. The decrease is mainly due to post-petition contractual interest expenses of USD 81 million related to debt held as subject to compromise which have not been recognized in the consolidated statement of operations, but instead recorded as a reduction to debt principal value in the consolidated balance sheet.

#### *Other financial items*

Other financial items, excluding interest expense, as reported in the consolidated statement of operations for the year ended 31 December 2017 with comparable figures for the year ended 31 December 2016, include the items as set forth in the table below.

*(In USD millions)*

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>(audited)</i>	<i>(audited)</i>
Interest income	60	66
Share in results of associated companies (net of tax)	174	283
Loss on impairment of investments	(841)	(895)
Gain/(loss) on derivative financial instruments	11	(74)
Net gain on debt extinguishment	19	47
Foreign exchange (loss)/gain	(65)	18
Reorganization items, net	(1,337)	-
Other financial items and other (expense)/income, net	(44)	(15)
<b>Total financial items and other income/(expense), net</b>	<b>(2,023)</b>	<b>(570)</b>

Share in results from associated companies was an income of USD 174 million in 2017 compared to income of USD 283 million in 2016. The income mainly comprises Old Seadrill's share of income from Seadrill Partners, as well as SeaMex and Seabras Sapura. The decrease is primarily due to the decreased share of income from Seadrill Partners as a result of a decrease in the number of operating units and rigs and a reduction in certain operating dayrates.

During 2017 the Group recorded an other than temporary impairment of investments of USD 841 million, compared to an other than temporary impairment of investments of USD 895 million in 2016. The impairments relate to Old Seadrill's investments in Seadrill Partners and SeaMex in both 2017 and 2016.

The gain on derivative financial instruments was USD 11 million in 2017, compared to a loss of USD 74 million in 2016. The gain in 2017 was primarily due to gains of USD 46 million on the Group's cross-currency interest swaps which were partially offset by a loss of USD 30 million on the Group's interest rate swap agreements due to unfavorable movement in swap interest rates during the year and a loss on other derivatives of USD 5 million. On Old Seadrill's filing for Chapter 11 Proceedings, an event of default was triggered under these swap agreements, resulting in the termination of its derivatives by its counterparties on 13 September 2017. The loss on derivative financial instruments in 2016 was mainly related to a loss of USD 48 million on the Group's interest rate swap agreements and losses on the cross-currency interest rate swaps of USD 20 million due to unfavorable movements in the Group's interest rate swap agreements and a loss on the TRS agreements of USD 6 million.

Included in the results for 2017 is a gain of USD 19 million of debt extinguishment compared to a gain of USD 47 million in 2016, of which the 2017 gain is due to the conversion of subordinated loans, fees and interest provided to Archer into a new convertible instrument. The gain recognized in 2016 is related to the extinguishment of the Group's convertible bonds.

Foreign exchange losses amounted to USD 65 million in 2017 compared to gains of USD 18 million in 2016. This was mainly due to the revaluation of the Group's NOK-denominated and SEK-denominated bonds to the USD.

After Old Seadrill filed the Chapter 11 petition on 12 September 2017, it incurred USD 66 million of post-petition professional fees associated with the bankruptcy cases. Additionally, the Group incurred non-cash charges of USD 66 million relating to unamortized debt issuance costs and USD 89 million in respect of reversal of issuing entities credit risk on derivatives.

#### *Income taxes*

Income tax expense was USD 66 million for the year ended 31 December 2017 compared to USD 199 million for the year ended 31 December 2016. The Group's effective tax rate was approximately (2)% for the year ended 31 December 2017, compared to 452.3% for the year ended 31 December 2016. This means that the Group continues to pay tax on consolidated losses after impairments, such that there were tax charges reported on overall losses before tax inclusive of discrete items. The 2017 and 2016 negative rates reflect no tax relief on the impairments or the derivative loss, as well as no tax chargeable on the disposal transactions. This was due to these items largely falling within the zero tax rate on Bermuda companies.

Significant amounts of the Group's income and costs are reported in non-taxable jurisdictions such as Bermuda. The Group's drilling rig operations are normally carried out in taxable jurisdictions. In the tax jurisdictions where the Group operates, the corporate income tax rates range from 17% to 35% for earned income and the deemed tax rates vary from 4% to 10% of revenues. Further, losses in one tax jurisdiction may not be offset against taxable income in other jurisdictions. Accordingly, the Group's effective tax rate may differ significantly from period to period depending on the level of activity in each of the tax jurisdictions where the Group's operations are conducted.

#### **Other comprehensive income**

##### *Unrealized (loss)/gain on marketable securities, net*

The net unrealized gain at 31 December 2017 was USD 14 million compared to a gain of USD 17 million at 31 December 2016, presented in the consolidated statement of comprehensive income. The unrealized gain in 2017 is predominantly driven by the recognition and subsequent revaluation of Old Seadrill's investment in Archer as a marketable security. This was previously held as an investment in an associate but, following two share issuances by Archer in March and April 2017 and settlement of guarantees, the shareholding was diluted and this was deemed to be a loss of significant influence.

#### *12.2.2 The year ended 31 December 2016 compared to the year ended 31 December 2015*

The table below sets forth the Group's operating results, by segments, for the year ended 31 December 2016 and compared to the year ended 31 December 2015.

*(In USD millions)*

	<b>Year ended 31 December</b>							
	<b>2016</b>				<b>2015</b>			
	<i>(audited)</i>				<i>(audited)</i>			
	<b>Jack-up</b>				<b>Jack-up</b>			
	<b>Floaters</b>	<b>rigs</b>	<b>Other</b>	<b>Total</b>	<b>Floaters</b>	<b>rigs</b>	<b>Other</b>	<b>Total</b>
<b>Total operating revenues</b>	<b>2,212</b>	<b>865</b>	<b>92</b>	<b>3,169</b>	<b>2,906</b>	<b>1,293</b>	<b>136</b>	<b>4,335</b>
(Loss)/gain on disposal .....	-	-	-	-	(243)	179	1	(63)
Contingent consideration realized .....	21	-	-	21	47	-	-	47
Total operating expenses (excluding loss on impairment of long-lived assets) .....	(1,430)	(598)	(92)	(2,120)	(1,807)	(808)	(122)	(2,737)
Loss on impairment of long-lived assets .....	(44)	-	-	(44)	(563)	-	-	(563)
<b>Operating income</b> .....	<b>759</b>	<b>267</b>	<b>-</b>	<b>1,026</b>	<b>340</b>	<b>664</b>	<b>15</b>	<b>1,019</b>
Interest expense .....	-	-	-	(412)	-	-	-	(415)
Impairment of investments .....	-	-	-	(895)	-	-	-	(1,285)
Other financial items .....	-	-	-	325	-	-	-	254
<b>(Loss)/income before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(427)</b>
Income taxes .....	-	-	-	(199)	-	-	-	(208)

*(In USD millions)*

	Year ended 31 December			
	2016 <i>(audited)</i>		2015 <i>(audited)</i>	
Net (Loss)/income.....	-	-	(155)	(635)

The following table sets forth the development in the Group's total operating revenues, divided into segments, illustrating a total decrease of 27% from the year ended 31 December 2015 to the year ended 31 December 2016.

*(In USD millions)*

	Year ended 31 December		Change (in percentage)
	2016 <i>(audited)</i>	2015 <i>(audited)</i>	
Floaters .....	2,212	2,906	(24)%
Jack-up rigs.....	865	1,293	(33)%
Other .....	92	136	(32)%
<b>Total operating revenues ...</b>	<b>3,169</b>	<b>4,335</b>	<b>(27)%</b>

### Revenues

Total operating revenues were USD 3.2 billion for 2016, compared to USD 4.3 billion in 2015, a decrease of USD 1.1 billion, or 27%. Total operating revenues are predominantly contract revenues with additional amounts of reimbursable and other revenues. The decrease in total operating revenues compared to 2015 was primarily driven by an increase in the number of idle rigs and reductions in certain operating dayrates, partly offset by improved economic utilization on the rigs that were operating.

Total operating revenues in the floaters segment were USD 2.2 billion in 2016 compared to USD 2.9 billion in 2015, a decrease of USD 0.7 billion, or 24%. The decrease primarily resulted from the increase in the number of idle rigs and reductions in certain operating dayrates. There were 9 floaters operating at the end of 2016, compared to 14 operating at the end of 2015. In addition, the Group disposed of the West Polaris to Seadrill Partners in June 2015. The average dayrates earned by the Group's floaters was approximately USD 400,000 during 2016 compared to USD 441,000 during 2015. The decrease in the number of operating units and dayrates was partly offset by higher economic utilization on the Group's floaters of 97% in 2016 compared to 91% in 2015. The Group also received the early termination fee for the West Hercules of USD 66 million, of which USD 58 million was recognized in 2016.

Total operating revenues in the jack-up rigs segment were USD 0.9 billion in 2016 compared to USD 1.3 billion in 2015, a decrease of USD 0.4 billion, or 33%. The decrease was primarily due to the increase in the number of idle rigs and reductions in certain operating dayrates. There were 12 jack-ups operating at the end of 2016 compared to 14 operating at the end of 2015. In addition the 5 jack-ups relating to SeaMex were deconsolidated in March 2015. The average dayrates earned by the Group's jack-ups was approximately USD 159,000 during 2016 compared to USD 198,000 during 2015. The decrease in number of operating units and dayrates was partly offset by higher economic utilization on the Group's jack-ups of 98% in 2016 compared to 97% in 2015. The Group also recognized the early termination fee for the West Epsilon of USD 11 million in 2016.

The table below summarizes the Group's dayrates and economic utilization percentage by rig type for the year ended 31 December 2016 and compared with the year ended 31 December 2015.

	Year ended 31 December			
	2016		2015	
	Average dayrates <sup>1</sup>	Economic utilization <sup>2</sup>	Average dayrates <sup>1</sup>	Economic utilization <sup>2</sup>
Floaters .....	USD 400,000	97%	USD 441,000	91%
Jack-up rigs.....	USD 159,000	98%	USD 198,000	97%

1 Average dayrates are the weighted average dayrates for each type of unit, based on the actual days available for each unit of that type, while on contract.

2 Economic utilization is calculated as the total revenue, excluding bonuses, for the period as a proportion of the full operating dayrate multiplied by the number of days in the period for the rigs that are on contract.

Other revenues predominately related to management fee income for the provision of management services to third and related parties.

*(Loss)/gain on disposals*

In 2016 the Group did not record any material gains or losses on the disposal of assets. In 2015 the Group recorded a net loss of USD 239 million relating to the loss on disposals of the West Polaris, and the newbuilding West Mira which was cancelled and the newbuilding West Rigel which is now classified as held for sale. The loss was partially offset by a gain of USD 181 million on the disposal of the Group's five jack-up rigs to SeaMex.

*Contingent consideration realized*

In 2016 the Group recorded contingent consideration realized of USD 21 million, compared to USD 47 million in 2015, relating to the disposals of the West Polaris and West Vela.

*Total operating expenses (excluding loss on impairment of long-lived assets)*

The table below sets out the change in the Group's total operating expenses (excluding loss on impairment of long-lived assets), based on segments, for the year ended 31 December 2016, with comparable figures for the year ended 31 December 2015. The table shows a decrease of in total 23%.

*(In USD millions)*

	<b>Year ended</b>		<i>Change (in percentage)</i>
	<b>31 December</b>		
	<b>2016</b>	<b>2015</b>	
	<i>(audited)</i>	<i>(audited)</i>	
Floaters .....	1,430	1,807	(21)%
Jack-up rigs .....	598	808	(26)%
Other .....	92	122	(25)%
<b>Total operating expenses (excluding loss on impairment of long-lived assets) .....</b>	<b>2,120</b>	<b>2,737</b>	<b>(23)%</b>

Total operating expenses, excluding loss on impairment of long-lived assets, were USD 2.1 billion in 2016 compared to USD 2.7 billion in 2015, a decrease of USD 0.6 billion or 23%. Total operating expenses consist of vessel and rig operating expenses, depreciation and amortization, reimbursable expenses and general and administrative expenses. The decrease in operating expenses resulted from the Group's cost-cutting measures and reduced number of drilling units in operation in 2016 as compared to 2015.

Total operating expenses, excluding loss on impairment of long-lived assets, for the floaters segment were USD 1.4 billion in 2016 compared to USD 1.8 billion in 2015, a decrease of USD 0.4 billion, or 21%. This decrease was mainly related to the decrease in the number of operating units and implementation of the Group's cost-cutting program.

Total operating expenses, excluding loss on impairment of long-lived assets, for the jack-up rigs segment were USD 0.6 billion in 2016 compared to USD 0.8 billion in 2015, a decrease of USD 0.2 billion, or 26%. This decrease was mainly related to the decrease in the number of operating units and implementation of the Group's cost saving program.

Other operating expenses predominately relate to costs associated with the provision of management services to third parties and related parties.

*Loss on impairment of long-lived assets*

There was no goodwill impairment charge for 2016, however a total of USD 44 million of impairments were recorded against the West Mira, following the settlement of the arbitration, as well as other impairments as a result of revisions to costs capitalized in the Group's capital spares pool. In 2015 the Group's fully impaired the book value of its goodwill relating to the floaters segment, recognizing a charge of USD 563 million.

*Interest expense*

Interest expense was USD 412 million in 2016 compared to USD 415 million in 2015, a decrease of USD 3 million, or 1%. This decrease was consistent with the decrease in interest-bearing debt, which contributed a gross interest expense decrease of USD 24 million. This was offset by the reduction in interest capitalized on the Group's newbuildings of USD 21 million, which increased the Group's interest expenses.

*Other financial items*

Other financial items reported in the statement of operations for the year ended 31 December 2016 and compared to the year ended 31 December 2015 include the items set out in the table below.

(In USD millions)

	Year ended 31 December	
	2016 <i>(audited)</i>	2015 <i>(audited)</i>
Interest income .....	66	67
Share in results from associated companies (net of tax) .....	283	192
Loss on impairment of investments .....	(895)	(1,285)
Gain/(loss) on derivative financial instruments .....	(74)	(150)
Net gain on debt extinguishment .....	47	8
Foreign exchange (loss)/gain .....	18	63
Gain on sale of tender rig business .....	-	22
Other financial items and other (expense)/income, net .....	(15)	52
<b>Total financial items and other income/(expense), net...</b>	<b>(570)</b>	<b>(1,031)</b>

Share in results from associated companies was income of USD 283 million in 2016 compared to an income of USD 192 million in 2015. The income in 2016 was mainly composed of Old Seadrill's share of income from Seadrill Partners, as well as SeaMex, Seabras Sapura and Archer. The increase is primarily due to the increased share of income from Seabras Sapura as its operations have continued to grow year on year, and SeaMex which was deconsolidated from March 2015.

During 2016 the Group recorded a loss on impairment of investments of USD 895 million, compared to a loss on impairment of USD 1,285 million in 2015. The impairments relate to Old Seadrill's investments in Seadrill Partners in both years, as well as SeaMex in 2016 and *Sapura Energy Berhard* in 2015.

The loss on derivative financial instruments was USD 74 million in 2016, compared to a loss of USD 150 million in 2015. The loss in 2016 was mainly related to a loss of USD 48 million on the Group's interest rate swap agreements and losses of USD 20 million on the Group's cross-currency interest swaps due to unfavorable movement in swap interest rates during the year and a loss on the Group's total return swap, or TRS, agreements of USD 6 million. The loss in 2015 was mainly related to a loss of USD 104 million on the Group's interest rate swap agreements and losses on the Group's cross-currency interest rate swaps of USD 7 million due to unfavorable movements in the Group's interest rate swap agreements and a loss on the TRS agreements of USD 27 million, losses on foreign exchange swap agreements of USD 9 million and a loss on other derivatives of USD 3 million.

Foreign exchange gains amounted to USD 18 million in 2016 compared to gains of USD 63 million in 2015. This was mainly due to the revaluation of the Group's NOK-denominated bonds to USD, which is believed to be ultimately favorable for the Group due to the weakening of the NOK compared to the USD.

Included in the results for 2016 is a gain on debt extinguishment of USD 47 million compared to a gain of USD 8 million in 2015, of which are both primarily related to the extinguishment of the Group's convertible bonds.

*Income taxes*

Income tax expense was USD 199 million for the year ended 31 December 2016 compared to USD 208 million for the year ended 31 December 2015. The Group's effective tax rate was approximately 452.3% for the year ended 31 December 2016, compared to (48.7)% for the year ended 31 December 2015. This means that the Group continues to pay tax on local operations on lower consolidated profit, as compared to 2015 where there was a tax charge reported an overall loss before tax inclusive of discrete items. The 2016 rate and 2015 negative rate reflected no tax relief on the impairments or the derivative loss, as well as no tax chargeable on the disposal transactions. This was due to these items largely falling within the zero tax rate on Bermuda companies.

Significant amounts of the Group's income and costs are reported in non-taxable jurisdictions such as Bermuda. The Group's drilling rig operations are normally carried out in taxable jurisdictions. In the tax jurisdictions where the Group operates, the corporate income tax rates range from 17% to 35% for earned income and the deemed tax rates vary from 4% to 10% of revenues. Further, losses in one tax jurisdiction may not be offset against taxable income in other jurisdictions. Accordingly, the Group's effective tax rate may differ significantly from period to period

depending on the level of activity in and mix of each of the tax jurisdictions in which the Group's operations are conducted.

### **Other comprehensive income**

#### *Unrealized gain/(loss) on marketable securities, net*

The net unrealized gain at 31 December 2016 was USD 17 million compared to a loss of USD 460 million at 31 December 2015, presented in the statement of total comprehensive income. These unrealized gains in 2016 result from increases in the market capitalization of Seadrill Partners, whereas in 2015 losses were recorded on Seadrill Partners and *Sapura Energy Bernhard*. During 2016, an amount of USD 153 million was reclassified to the consolidated statement of operations because the investment in Seadrill Partners was considered to be other than temporary impaired, compared to a similar charge of USD 752 million in 2015.

### **12.3 The Group's financial position**

#### *12.3.1 The year ended 31 December 2017 compared to the year ended 31 December 2016*

Total current assets as at 31 December 2017 were USD 2.3 billion compared to USD 2.9 billion as at 31 December 2016. The decrease is driven by a reduction in cash and cash equivalents, by USD 0.1 billion primarily due to lower cash provided by operating activities. Accounts receivable, net decreased by USD 0.2 billion due to an increase in the number of idle rigs and reduction in certain operating dayrates. Amounts due from related parties reduced by USD 0.2 billion primarily due to USD 0.1 billion settlement of loans in connection with Seadrill Partners. Other current assets reduced by USD 0.2 billion due to the settlement with Hyundai Samho Heavy Industries Co Ltd for the West Mira.

Total non-current assets were USD 15.7 billion as at 31 December 2017 compared to USD 18.8 billion as at 31 December 2016. The decrease is driven by a USD 0.8 billion impairment on investments in Seadrill Partners and Seamex Ltd, a USD 0.8 billion impairment of newbuildings as a result of the global settlement reached as part of the Chapter 11 Proceedings and the disposal of three jack-ups to Shelf Drilling with a book value of USD 0.4 billion.

Total current liabilities were USD 0.9 billion as at 31 December 2017 compared to USD 4.7 billion. The decrease is primarily due to adjustments relating to the application of ASC 852 – Reorganization guidance including the reclassification of unsecured and under-secured debt, accounts payable and other current liabilities as at the date of filing being reclassified as liabilities to subject to compromise and write off of credit valuation adjustments on derivatives. In addition, USD 0.5 billion construction liability in respect of the Sevan Developer was derecognized.

Total non-current liabilities were USD 1.0 billion as at 31 December 2017 compared to USD 6.9 billion as at 31 December 2016. The decrease is primarily due to the reclassification of unsecured and under-secured debt as liabilities to subject to compromise.

#### *12.3.2 The year ended 31 December 2016 compared to the year ended 31 December 2015*

Total current assets remained at USD 2.9 billion as at 31 December 2016 compared to 31 December 2015. There was an increase in cash and cash equivalents of USD 0.4 billion primarily due to higher cash provided by investing activities. This was offset by a decrease in account receivables of USD 0.2 billion, which was driven by an increase in the number of idle rigs and a decrease in amounts due to related parties of USD 0.2 billion, primarily due to the receipt of the West Sirius bareboat charter financing loan from Seadrill Partners.

Total non-current assets were USD 18.8 billion as at 31 December 2017 compared to USD 20.5 billion as at 31 December 2016. The decrease was primarily due to USD 0.9 billion impairment on investments in Seadrill Partners and Seamex and the USD 0.2 billion settlement of prepaid forward and equity swap agreement with *Sapura Energy Bernhard*.

Total current liabilities were USD 4.7 billion as at 31 December 2016 compared to USD 3.3 billion as at 31 December 2015. The increase is primarily due to an increase in the current portion of long-term debt by USD 1.7 billion, as the USD 2 billion facility (NADL), USD 1 billion bond and USD 440 million facility became due within 12 months offset by repayments of USD 0.3 billion.

Total non-current liabilities were USD 6.9 billion as at 31 December 2016 compared to USD 10.0 billion as at 31 December 2015. The decrease is primarily due to USD 1.7 billion of debt reclassified to current as it became due



within 12 months offset by USD 0.9 billion of repayments. In addition, to USD 0.3 billion decrease in other non-current liabilities related to the amortization of deferred revenues and unfavorable contracts and USD 0.2 billion settlement of prepaid forward and equity swap with *Sapura Energy Berhard*.

#### 12.4 Non-U.S. GAAP financial measures

The Group uses several key financial measures and financial ratios, including economic utilization and adjusted EBITDA to monitor and analyze the underlying performance of the Group's business and operations.

The Company presents non-U.S. GAAP financial measures because it believes that they and other similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-U.S. GAAP financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as prepared under U.S. GAAP. Non-U.S. GAAP financial measures and ratios are not measurements of the Group's performance, financial condition or liquidity under U.S. GAAP and should not be considered as alternatives to operating profit or profit or as alternatives to cash flow from operating, investing or financing activities for the period, or any other performance measures, derived in accordance with U.S. GAAP or any other generally accepted accounting principles.

No financial measures are required by, or presented in accordance with U.S. GAAP. These measures are referred to as "non-U.S. GAAP financial measures." The non-U.S. GAAP financial measures have not been subject to auditor review.

##### **Economic utilization**

Economic utilization is calculated as total revenue, excluding bonuses, for the period as a proportion of the full operating dayrate multiplied by the number of days on contract in the period.

##### **Adjusted EBITDA**

Adjusted EBITDA is defined as operating income plus depreciation and amortization but excluding gains or losses on disposals and impairment charges against long-lived assets. 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.

The Company believes that adjusted EBITDA provides meaningful information about the performance of the Group's business and therefore use it to supplement the U.S. GAAP reporting. The Company believes that adjusted EBITDA improves the comparability of year-to-year results and is representative of the Group's underlying performance.

The following table shows a reconciliation of operating income to EBITDA, as operating income is the most directly comparable US GAAP measure:

(In USD millions)

	<b>Year ended 31 December</b>		
	<b>2017</b> <i>(unaudited)</i>	<b>2016</b> <i>(unaudited)</i>	<b>2015</b> <i>(unaudited)</i>
<b>Operating loss</b> .....	<b>(728)</b>	<b>1,026</b>	<b>1,019</b>
Depreciation and amortization .....	798	810	779
Loss on impairment of long lived assets .....	696	44	563
Loss on disposals .....	245	0	63
<b>Adjusted EBITDA</b> .....	<b>1,011</b>	<b>1,880</b>	<b>2,424</b>

#### 12.5 Liquidity and capital resources

##### 12.5.1 Overview

The Group operates in a capital-intensive industry. Historically its investment in newbuild drilling units, secondhand drilling units and acquisition of other companies has been financed through borrowings from commercial banks and export credit agencies, cash generated from operations, and a combination of equity issuances, bond and convertible bond offerings. The Group's liquidity requirements relate to servicing and repaying debt, funding investment in drilling units, funding working capital requirements and maintaining adequate cash reserves to mitigate the effects of

fluctuations in operating cash flows. Most of the Group's contract and other revenues are generally received between 30 and 60 days in arrears, and most of its operating costs are paid on a monthly basis.

The Group's funding and treasury activities are conducted in accordance with the corporate policies to maximize returns while maintaining appropriate liquidity for its operating requirements. Cash and cash equivalents are held mainly in USD, with lesser amounts held in NOK, Brazilian Reals and GBP.

This section discusses the most important factors affecting the Group's liquidity and capital resources, including:

- Summary of the Group's borrowing activities;
- Liquidity outlook;
- The Group's newbuild program;
- Key financial covenants related to the Group's borrowings; and
- Sources and uses of cash.

#### 12.5.2 Summary of the Group's borrowing activities

##### 12.5.2.1 Introduction

As at 31 December 2017, the Group had total outstanding borrowings under its secured credit facilities of USD 6.4 billion, secured by, among other things, liens on the Group's drilling units, and unsecured bonds outstanding of USD 2.3 billion. The amounts include the loans relating to the Ship Finance entities consolidated into the consolidated financial statements as VIEs, totaling USD 0.8 billion. In addition, the Group had interest bearing debt of USD 0.3 billion under loan agreements with related parties.

On 12 September 2017, the Debtors filed voluntary petitions for reorganization under Chapter 11. Old Seadrill entered into the RSA with the Consenting Stakeholders. The consolidated subsidiaries NADL and Sevan Drilling, together with certain other of its consolidated subsidiaries, also entered into the RSA together with Old Seadrill. Ship Finance and three of its subsidiaries, which charter three drilling units to the Company Parties, also executed the RSA. The RSA contemplated that each of the Company Parties' credit facilities were amended to provide, among other things:

- approximately 4 to 5.5 year maturity extensions;
- significant amortization relief with no amortization payments until 2020;
- no maintenance covenants except minimum liquidity until Q1 2021; and
- cross-collateralization of the existing credit facilities.

The RSA and Investment Agreement contemplated the formation of an intermediate holding company to issue the New Secured Notes. Rig-owning entities and certain other assets were contributed to a subsidiary of that intermediate holding company, which guaranteed and facilitated cross-collateralization of the amended credit facilities. The RSA provided for amendments to Ship Finance's charter agreements with the Company Parties on terms generally consistent with the credit facility amendments.

As at the Effective Date, the outstanding external debt, gross of capitalized debt issuance cost, is repayable as set out in the table below.

(In USD millions)

	2018	2019	2020	2021	2022	2023 and thereafter	Total
Total Outstanding Debt	-	34	406	569	1,624	4,646	7,279

Sources of liquidity include loans the Group has provided to related parties including Seadrill Partners, SeaMex and Archer. In addition, the Group has a loan receivable from *Sapura Energy Bernhard* relating to the deferred consideration for the disposal of the tender rig business to *Sapura Energy Bernhard* in April 2013 which was due in April 2016. On 28 August 2017, a loan agreement was signed whereby USD 5 million is to be repaid each month,

with the residual due to be repaid on 3 August 2018. The outstanding balance as at 31 March 2018 was USD 65 million.

#### 12.5.2.2 Overview of the Group's borrowings

An overview of the Group's debt as at the Effective Date, divided into (i) secured credit facilities, (ii) Ship Finance loans and (iii) the New Secured Notes, is presented in the table below.

(In USD millions)

<b>Secured credit facilities</b>	<b>As at the Effective Date</b>	<b>Maturity date</b>
USD 1,500 million facility .....	1,125	Oct 2024
USD 1,350 million facility .....	945	Oct 2024
USD 2,000 million facility .....	908	Jan 2023
USD 1,750 million facility .....	875	Feb 2024
USD 950 million facility .....	566	Nov 2024
USD 1,450 million facility .....	322	Oct 2023
USD 450 million facility .....	265	Dec 2024
USD 360 million facility (AOD) .....	210	Oct 2023
USD 300 million facility .....	144	Jan 2024
USD 400 million facility .....	135	Oct 2022
USD 450 million facility .....	103	Jan 2022
USD 440 million facility .....	64	Jul 2023
<b>Total secured credit facilities</b> .....	<b>5,662</b>	
<b>Ship Finance Loans</b>		
USD 390 million facility (SFL Deepwater) .....	215	Nov 2022
USD 375 million facility (SFL Hercules) .....	237	Jun 2023
USD 475 million facility (SFL Linus) .....	285	Jun 2023
<b>Total Ship Finance Loans</b> .....	<b>737</b>	
<b>New Secured Notes</b>		
USD 880 million bond .....	880	Jun 2025
<b>Total debt</b> .....	<b>7,279</b>	
<b>Capitalized debt issuance costs and fresh start adjustments</b>	<b>(225)</b>	
<b>Total debt, net</b>	<b>7,054</b>	

The Debtors' filing of the Chapter 11 Proceedings constituted an event of default under the Group's secured credit facilities and unsecured bond facilities and were reported as "Liabilities subject to compromise" on the consolidated balance sheets at 31 December 2017.

As at 31 December 2017 the Group had USD 2,334 million of unsecured bond facilities which were equitized under the Plan and therefore do not form part of the Group's borrowings from the Effective Date. On 2 July 2018 the Group issued USD 880 million of senior secured notes (New Secured Notes). The terms of these notes and Seadrill's remaining credit facilities are given below.

#### **Secured credit facilities**

The credit facilities listed below were restructured as part of the Plan. The key changes to each of the facilities listed below included, but are not limited to, the following:

- An average five-year maturity under each of the credit facilities;
- The postponement of amortization obligations through 31 December 2019; and
- The deletion of all existing financial covenants and the reinstatement of a debt service cover ratio and net leverage ratio with a covenant holiday until 2021, subject to certain liquidity requirements as further described below.
- A number of the facilities previously contained loan-to-value clauses which required additional collateral prepayments to be made should the value of drilling units reduce below certain thresholds. These clauses have been waived until the new final maturity of each respective facility.

**USD 1,500 million senior secured credit facility (2014)**

In July 2014, the Group entered into a USD 1,500 million senior secured credit facility with a syndicate of banks to finance three newbuilds, the West Saturn, West Neptune and West Jupiter, which are pledged as security. The net book value at 31 December 2017 of the units pledged as security is USD 1,831 million. The facility bears interest at LIBOR plus a margin of between 1.7% and 2.38% per annum, plus certain export credit agency fees, and is repayable over a term of 12 years. The loan includes a commercial interest reference rate ("**CIRR**") tranche with Eksportkreditt Norge ASA, the Norwegian export credit agency, that bears a fixed interest at 2.38% per annum. If the commercial tranche of USD 300 million, which has a balloon payment of USD 175 million, does not get refinanced to the satisfaction of the remaining lenders after five years, the remaining tranches also become due after five years. The Group did not have any undrawn capacity on this facility as at 31 December 2017. As at 31 December 2017, the outstanding balance was USD 1,112 million, as compared to USD 1,219 million as at 31 December 2016.

**USD 1,350 million senior secured credit facility**

In August 2014, the Group entered into a USD 1,350 million senior secured credit facility with a syndicate of banks. The facility consists of a term loan facility for USD 675 million and a revolving credit facility in an amount up to USD 675 million. The West Pegasus, West Gemini and West Orion were pledged as security. The total net book value at 31 December 2017 of the units pledged as security is USD 1,570 million. The facility bears interest at LIBOR plus a margin of 2% per annum, and is repayable in quarterly installments over a term of five years. The revolver facility is fully repayable at the final maturity date. The revolver facility was fully drawn, and as at 31 December 2017 there were no undrawn capacity. As at 31 December 2017, the outstanding balance was USD 931 million as compared to USD 1,046 million as at 31 December 2016.

**USD 2,000 million senior secured credit facility**

In April 2011, NADL, Old Seadrill's majority owned subsidiary, entered into a USD 2,000 million senior secured credit facility with a syndicate of banks to partly fund the acquisition of six drilling units from the Group, which have been pledged as security. The net book value at 31 December 2017 of the units pledged as security was USD 1,810 million. The facility has a six year term and bears interest at LIBOR plus 2.00% per annum.

As at 31 December 2017, the outstanding balance was USD 897 million, as compared to USD 1,033 million in 2016. The outstanding balance represents the final balloon payment of USD 908 million offset by adequate protection payments made after 12 September 2017 of USD 11 million. On 28 April 2016, maturity extension agreements to extend the maturity of this facility from 15 April 2017 to 30 June 2017 was executed. On 4 April 2017, an extension agreement to extend the maturity until 14 September 2017 was obtained. This remained outstanding as at 31 December 2017 as a result of the RSA entered into on 12 September 2017.

As at 31 December 2016, USD 50 million was undrawn under this facility, which bears a commitment fee of 40% of the margin. In April 2017, the undrawn portion of the revolving facility was cancelled.

**USD 1,750 million secured credit facility**

In September 2013 subsidiaries of Sevan Drilling entered into a USD 1,750 million bank facility with a syndicate of banks and export credit agencies. The facility consists of two tranches in the amounts of USD 1,400 million and USD 350 million. On 23 October 2013 the first tranche of USD 1,400 million was drawn and was used to repay the existing credit facilities related to Sevan Driller and Sevan Brasil and to settle the remaining installment and other amounts for the delivery of Sevan Louisiana. Sevan Driller, Sevan Brasil and Sevan Louisiana have been pledged as security. In December 2014 the USD 350 million tranche relating to the Sevan Developer was cancelled at Old Seadrill's request as a consequence of the deferral agreement made with Cosco (Qidong) Offshore Co. Limited, and the borrowing entity relating to the Sevan Developer was released from its obligations under this facility.

The facility matures in September 2018 and bears interest of LIBOR plus a margin of 2.85%, which includes the guarantee fee paid to the credit export agency. As at 31 December 2017 the net book values of the Sevan Driller, Sevan Brasil and Sevan Louisiana were USD 525 million, USD 552 million and USD 648 million respectively. There was no undrawn capacity on this facility as at 31 December 2017. As at 31 December 2017, the outstanding balance was USD 856 million as compared to USD 945 million as at 31 December 2016.

**USD 950 million senior secured credit facility**

In January 2015, the Group entered into a USD 950 million senior secured credit facility with a syndicate of banks and export credit agencies to fund the delivery of the West Carina and to refinance the Group's indebtedness related to the West Eclipse. The facility comprises of a USD 60 million term loan, a USD 250 million revolving facility and a USD 190 million export credit agency ("**ECA**") facility for the West Carina, and a USD 225 million term loan and a USD 225 million revolving facility for the West Eclipse. The term loans and revolving credit facilities bear an interest at LIBOR plus 2.00% and the ECA facility has a CIRR fixed interest rate of 2.12%.

In addition, the ECA facility for the West Carina has a guarantee fee to the export credit agency of 1.30%. The Group has entered into a floating swap agreement to counter this fixed payment, meaning that the Group pays floating interest on this tranche, however this agreement was terminated on 13 September 2017 after Old Seadrill's filing for Chapter 11 proceedings. The West Carina term loan and revolving credit facility have a five year maturity and a 12 year profile, with a balloon payment of USD 187 million in year five. The West Carina ECA facility has a 12 year maturity and a 12 year profile.

The West Eclipse term loan has a five year maturity and a 10 year profile. The West Eclipse revolving credit facility has a maturity of five years and is non-amortizing, with a balloon payment of USD 225 million in year five. If the commercial facilities are not refinanced satisfactorily after five years then the ECA facility also becomes due.

The net book value of the rigs pledged as security as at 31 December 2017 was USD 1,256 million. The total outstanding balance as at 31 December 2017 was USD 558 million (compared to USD 622 million as at 31 December 2016). In April 2017 the undrawn portion of the revolving facility of USD 171 million was cancelled, of which USD 100 million related to the West Eclipse and USD 71 million related to the West Carina. The Group did not have any undrawn capacity on this facility as at 31 December 2017.

**USD 1,450 million senior secured credit facility**

In March 2013, the Group entered into a USD 1,450 million senior secured credit facility with a syndicate of banks and export credit agencies. The West Auriga, West Vela, and West Tellus were pledged as security. The facility has a final maturity in 2025, with the exception of a commercial tranche of USD 203 million due for renewal in 2018, and bears an interest of LIBOR plus a margin, inclusive of the guarantee fee, in the range of 2.70% to 3.00%. Due to the sale of the West Auriga and West Vela to Seadrill Partners in 2014, the tranches relating to these rigs were recognized by Seadrill Partners. In August 2017, Seadrill Partners completed amendments to this facility to insulate itself from the Group and therefore the Group no longer provided an indemnity to Seadrill Partners for any payments or obligations related to this facility that were not related to the West Auriga or West Vela.

The total amount owed as at 31 December 2017 was USD 318 million (compared to USD 695 million as at 31 December 2016) which fully relates to the Group and the West Tellus (USD 353 million as at 31 December 2016).

As at 31 December 2017 the net book value of the West Tellus was USD 615 million. There was no undrawn capacity on this facility as at 31 December 2017.

**USD 450 million senior secured credit facility**

In December 2013, the Group entered into a USD 450 million senior secured facility with a syndicate of banks. The West Eminence has been pledged as security, and the facility bears an interest of LIBOR plus a margin of 1.75% and was due to mature in June 2016. As at 31 December 2017 the net book value of the West Eminence was USD 508 million. As at 31 December 2017, the outstanding balance was USD 261 million as compared to USD 278 million as at 31 December 2016. There was no undrawn capacity on this facility as at 31 December 2017.

On 28 April 2016 the Group executed maturity extension agreements to extend the maturity of this facility from 20 June 2016 to 31 December 2016. In addition, the margin was increased to 2.50%, effective June 2016.

On 16 November 2016, the maturity was extended until 30 April 2017. On 4 April 2017, the maturity was extended until 15 August 2017. On 15 August 2017, the maturity was extended to 14 September 2017.

This remained outstanding as at 31 December 2017. Following the emergence of Old Seadrill from bankruptcy under the terms of the Plan the maturity was extended to 19 June 2022. The outstanding balance on the credit facility was USD 261 million as at 31 December 2017.

**USD 360 million senior secured credit facility**

In April 2013, the Company's majority owned subsidiary AOD entered into a USD 360 million senior secured credit facility with a syndicate of banks. The facility is available in three equal tranches of USD 120 million, with each tranche relating to AOD 1, AOD 2 and AOD 3, which have been pledged as security. The loan has a five year maturity from the initial borrowing date, and bears interest of LIBOR plus 2.75%. As at 31 December 2017, the rigs had a net book value of USD 210 million, USD 201 million and USD 209 million, respectively. The Group did not have any undrawn capacity on this facility as at 31 December 2017.

As at 31 December 2017, the outstanding balance was USD 210 million, compared to USD 237 million as at 31 December 2016.

This facility was not subject to compromise as the AOD subsidiary did not file for bankruptcy under Chapter 11, however the covenant terms under the RSA were still applicable. As part of the RSA entered into on 12 September 2017, the lenders agreed to waive any breach of, or default under, the Group's debt agreements after this date, which arose as a result of or were, directly or indirectly, related to the commencement of the Chapter 11 Proceedings or any of the steps contemplated in, or that were undertaken pursuant to, the RSA including any failure to comply with any of the financial covenants in the debt agreement.

Following the emergence of Old Seadrill from bankruptcy under the terms of the Plan, the maturity was extended to 25 October 2023.

**USD 300 million senior secured credit facility**

In July 2013, the Group entered into a USD 300 million senior secured credit facility with a syndicate of banks and export credit agencies. The West Tucana and West Castor were pledged as security. The facility bears interest of LIBOR plus a margin of 3.00%, which includes the guarantee fee paid to the credit export agency. The facility matures in 2023, however the facility may become payable in full in 2018 if the commercial tranche which expires after five years is not renewed. As at 31 December 2017 the net book values of the West Tucana and West Castor were USD 181 million and USD 186 million, respectively. There was no undrawn capacity on this facility as at 31 December 2017. As at 31 December 2017 the outstanding balance was USD 142 million as compared to USD 162 million as at 31 December 2016.

**USD 400 million senior secured credit facility**

In December 2011, the Group entered into a USD 400 million senior secured credit facility with a syndicate of banks. The jack-up rigs West Cressida, West Callisto, West Leda and West Triton have been pledged as security. The net book value at 31 December 2017 of the units pledged as security was USD 507 million. The facility has a five year term and bears interest of LIBOR plus 2.50% per annum. In May 2017, the Group completed the sale of West Triton to Shelf Drilling. Shelf Drilling subsequently repaid the tranches relating to the West Triton in full, amounting to USD 47 million.

As at 31 December 2017, the outstanding balance was USD 133 million, which represented balloon payment of USD 135 million offset by adequate protection payments made after 12 September 2017 of USD 2 million. In April 2017 the undrawn portion of the revolving facility was cancelled.

On 28 April 2016, maturity extension agreements to extend the maturity of this facility from 8 December 2016 to 31 May 2017 were executed. On 4 April 2017, an extension agreement to further extend the maturity until 31 August 2017 was obtained. On 26 July 2017 this was further extended to 14 September 2017. This remained outstanding as at 31 December 2017. Following emergence of Old Seadrill from bankruptcy under the terms of the Plan, the maturity was extended to 24 October 2022.

**USD 450 million senior secured credit facility (2015)**

In August 2015 the Group entered into a USD 450 million senior secured credit facility with a syndicate of banks. The West Freedom, West Mischief, West Vigilant, West Resolute, West Prospero, and the West Ariel were pledged as security. The net book value of the rigs pledged as security as at 31 December 2017 was USD 527 million. The loan bears interest at a rate of LIBOR plus 2.5%. The loan has a five year maturity and an 8.5 year profile with a balloon payment at the end of year five.

In May 2017, the Group completed the sale of West Resolute to Shelf Drilling. In September 2017, the Group completed the sale of West Mischief to Shelf Drilling. Shelf Drilling subsequently repaid USD 54 million on the facility, representing the tranches relating to the West Resolute and West Mischief.

The total outstanding balance as at 31 December 2017 was USD 101 million (compared to USD 175 million as at 31 December 2016).

In April 2017 the undrawn portion of the revolving facility, totaling USD 165 million was canceled. The Group did not have any undrawn capacity on this facility as at 31 December 2017.

#### ***USD 440 million secured credit facility***

In December 2012, the Group entered into a USD 440 million secured credit facility with a syndicate of banks to fund the delivery of two tender rigs and two jack-up drilling rigs. As at 31 December 2016 the Group had drawn USD 320 million on the facility and the T-15, T-16, and West Telesto had been pledged as security, while the tranche for the West Oberon was cancelled due to other funding opportunities for this rig. The tender rigs T-15 and T-16 were sold to Seadrill Partners during 2013, and subsequently the Group entered into a back-to-back rig financing agreements with Seadrill Partners for the corresponding portions of the secured credit facility for USD 101 million and USD 98 million respectively.

In August 2017, Seadrill Partners amended certain credit facilities to insulate itself from the Group. This resulted in a USD 109 million repayment in respect to this facility.

The total net book values as at 31 December 2017 of the West Telesto, which is pledged as security, was USD 188 million. The facility bears interest at LIBOR plus 3.25% per annum and is repayable over a term of five years. The outstanding balance as at 31 December 2017 was USD 62 million, which represented balloon payment of USD 64 million offset by adequate protection payments made after 12 September 2017 of USD 2 million. The Group did not have any undrawn capacity on this facility as at 31 December 2017.

#### ***Ship Finance Loans***

The following loans relate to the Ship Finance entities that are consolidated into the Group's consolidated financial statements as VIEs. These facilities were not subject to compromise as the Ship Finance entities did not file for bankruptcy under Chapter 11.

#### ***SFL Hercules Ltd***

In May 2013, SFL Hercules Ltd entered into a USD 375 million facility, with a syndicate of banks and financial institutions. The facility is secured by the West Hercules, which has a net book value of USD 508 million as at 31 December 2017. The new facility has a term of six years and bears interest of LIBOR plus a margin of 2.75%. During the year ended 31 December 2016, SFL Hercules Ltd drew down USD 50 million on its revolving credit tranche. Subsequently the VIE repaid balances with Ship Finance, a related party to the Group, thus reducing the consolidated related party net debt. As at 31 December 2017, the outstanding balance under the facility was USD 251 million, compared to USD 279 million as at 31 December 2016. SFL Hercules Ltd had no undrawn capacity on this facility at 31 December 2017.

#### ***SFL Deepwater Ltd***

In October 2013, SFL Deepwater Ltd entered into a USD 390 million facility with a syndicate of banks and financial institutions. The facility is secured by the West Taurus, which has a net book value of USD 385 million as at 31 December 2017. The new facility has a term of five years and bears interest of LIBOR plus a margin of 2.50%. During the year ended 31 December 2016, SFL Deepwater Ltd drew down USD 50 million on its revolving credit tranche. Subsequently the VIE repaid balances with Ship Finance, a related party to the Group, thus reducing the consolidated related party net debt. As at 31 December 2017, the outstanding balance under the facility was USD 226 million, compared to USD 248 million as at 31 December 2016. SFL Deepwater Ltd had no undrawn capacity on this facility as at 31 December 2017.

#### ***SFL Linus Ltd***

In October 2013, SFL Linus Ltd entered into a USD 475 million secured term loan and revolving credit facility with a syndicate of banks to fund the acquisition of West Linus, which has been pledged as security and has a net book

value of USD 515 million as at 31 December 2017. The facility was fully drawn on 18 February 2014, on the date of delivery of West Linus. The facility bears interest of LIBOR plus 2.75% and matures in June 2019. During the year ended 31 December 2016, SFL Linus Ltd drew down USD 50 million on its revolving credit tranche. Subsequently the VIE repaid balances with Ship Finance, a related party to the Group, thus reducing the consolidated related party net debt. As at 31 December 2017, the outstanding balance under the facility was USD 309 million, compared to USD 356 million as at 31 December 2016. SFL Linus had no undrawn capacity on this facility at 31 December 2017.

### ***New secured bond issue***

#### ***New Secured Notes***

On the Effective Date, the Group raised USD 880 million of aggregate principle amount of 12.0% senior secured notes due in 2025. The notes bear interest at the annual rate of 4.00% payable in cash plus at the annual rate of 8.00% payable in kind. Under certain circumstances, NSNCo may elect to pay the amount of payment in kind interest payable on any interest payment date in cash at an annual rate of 8.00%. Interest will be payable semi-annually in arrears.

The notes are guaranteed with a guarantee from the Company (on pari passu basis with the lenders under the senior credit facilities and all other unsecured creditors of the Company; a first ranking guarantee from IHCo; a first ranking guarantee from all other direct subsidiaries of the Company outside of RigCo and its subsidiaries (other than IHCo), subject to certain exceptions; a first ranking guarantee (or in the case of subsidiaries that would be required to be registered as "investment companies" under the Investment Company Act, a first ranking kept well obligation) of the NSNCo's direct subsidiaries; and a second ranking guarantee from RigCo and a second ranking kept well obligation of Cash Pool Co (shares with (i) first ranking guarantees in favor of the lenders, agents and other finance parties to the senior credit facilities and (ii) third ranking guarantees in favor of the Ship Finance Parties as defined in and set out in the inter-creditor agreement).

The notes and the guarantees are secured, subject to permitted liens, (i) on a first priority basis by substantially all of the Company, certain of its subsidiaries, IHCo's, NSNCo and its subsidiaries' property and assets (other than certain property and assets also securing the senior credit facilities) and (ii) on a second priority basis by the common collateral.

### ***Covenants contained in the Group's debt facilities***

The Group's debt agreements contain financial covenants as well as security provided to lenders in the form of pledged assets.

#### ***Credit facilities***

The financial covenants contained in the Group's credit facilities will be measured at the RigCo group level. Details of the levels which are required to be maintained under the credit facilities are as follows:

- Aggregated minimum liquidity requirement for the Group: In summary, and as more particularly set out in the credit facilities, to maintain cash and cash equivalents of at least USD 525 million within the Group at any time during the period from and including the Effective Date to and including 31 December 2018; and USD 400 million at any time during the period from and including 1 January 2019 to the final maturity date of the credit facilities;
- Net leverage ratio: to maintain a ratio of net debt to EBITDA.
  - (i) in respect of the Relevant Period ending on 31 March 2022, be equal to or less than 4.5x;
  - (ii) in respect of the Relevant Period ending on 30 June 2022, be equal to or less than 4.2x;
  - (iii) in respect of the Relevant Period ending on 30 September 2022, be equal to or less than 3.9x; and
  - (iv) in respect of the Relevant Period ending on 31 December 2022, be equal to or less than 3.7x.
- Debt service coverage ratio: in summary to maintain a ratio of EBITDA to debt services (being all finance charges and principal, as more particularly set out in the credit facilities) equal to or greater than 1:1 which



will be tested on each financial quarter commencing with the financial quarter ending on 31 March 2022 until the final maturity date of the credit facilities.

### ***New Secured Notes***

The covenants included in the New Secured Notes agreements limit the ability of the Group and its restricted subsidiaries to:

- pay dividends or make certain other restricted payments or investments;
- incur additional indebtedness and issue disqualified shares;
- create liens on assets;
- amalgamate, merge, consolidate or sell substantially all of the Company's, NSNCo's, IHCos, RigCos and their respective subsidiaries and the guarantors' assets;
- enter into certain transactions with affiliates;
- create restrictions on dividends and other payments by the Company's restricted subsidiaries; and
- guarantee indebtedness by the Company's restricted subsidiaries.

The above covenants are subject to important exceptions and qualifications.

#### 12.5.2.3 Liquidity outlook

The Group's short-term liquidity requirements relate to servicing debt amortization and repayments, interest payments, and funding working capital requirements. Sources of liquidity include existing cash balances, short-term investments and contract and other revenues. The Group has historically relied on cash generated from operations to meet its short-term liquidity needs. However, as a result of the downturn in the offshore industry, the Group has been required to obtain additional liquidity to fully meet the short-term liquidity requirements. The Group achieved this through the Chapter 11 Proceedings, which is described in Section 5 "The Chapter 11 Reorganization".

#### 12.5.2.4 The Group's newbuilding program

In 2017 the Group spent USD 0.1 billion on newbuildings, drilling units, and equipment, compared to USD 0.1 billion 2016 and USD 0.9 billion in 2015. The reason for the reductions in 2016 and 2017 is due to the successfully negotiated deferrals as explained below.

At 31 December 2017, the Group had contractual commitments under eight newbuilding contracts totaling USD 1.7 billion. The delivery for these rigs are all contracted to take place in 2018. The Group has already entered into the following agreements with the shipyards as follows:

On 22 January 2015, the Group entered into an agreement with Dalian to defer the deliveries of eight jack-ups that were previously scheduled to be delivered in 2015 and 2016, to 2016 and 2017. On 3 June 2015, the Group entered into a second amendment with Dalian to defer the deliveries of four jack-ups that were previously due in 2016 to late 2016 and 2017. On 18 April 2016, the Group entered into agreements with Dalian to further defer the deliveries of all eight jack-ups under construction. On 28 December 2016, the Group entered into agreements with Dalian to further defer the deliveries of the first four jack-ups under construction. Following this latest deferral agreement, four units were scheduled to be delivered in 2017, and four units in 2018. However, upon technical completion, it is expected to defer the actual delivery of each rig and compensate the yard for an agreed compensation for the extended period prior to the actual date of delivery of each rig, or alternatively look for other solutions. These newbuild contracts are all with limited liability subsidiaries of the Group that do not have the benefit of a Group guarantee.

As part of the Chapter 11 Proceedings, the Debtors negotiated and announced a global settlement with various creditors, including Samsung and DSME. The global settlement included an agreement regarding the allowed claim of the newbuild shipyards Samsung and DSME, and the Debtors' rejection and recognized termination of the newbuild contracts for the West Dorado, West Draco, West Aquila and the West Libra. Following the allowed claim agreement

in respect of the Samsung and DSME, the Group recognized a liability of USD 1.064 billion at 31 December 2017, and due to the Plan, which anticipated the rejection and termination of the newbuild contracts, the Group recognized an impairment of the newbuild assets related to the West Dorado, West Draco, West Aquila and the West Libra, totaling USD 696 million, in the year ended 31 December 2017. Prior to the global settlement, in the year ended 31 December 2016, the Group had entered into agreement with DSME to defer delivery of the West Aquila and West Libra to the second quarter of 2018 and first quarter of 2019, respectively.

On 2 December 2015, the Group signed an amendment with Jurong for the deferral of the delivery of the semi-submersible drilling unit, the West Rigel. The deferral period originally lasted until June 2016 but was subsequently amended to 6 July 2018. Following completion of the deferral period, Old Seadrill and Jurong agreed to form a Joint Asset Holding Company for joint ownership of the West Rigel, to be owned 23% by Old Seadrill and 77% by Jurong, in the event no employment is secured for the West Rigel and no alternative transaction is completed. On 26 December 2017, Jurong announced that a sale agreement, subject to conditions, had been signed for West Rigel. As the agreement is pursuant to conditions being met, Old Seadrill will continue to hold the asset within "non-current assets held for sale".

On 5 April 2018, the Group entered into a settlement and release agreement, which at the time was subject to Bankruptcy Court approval, with Jurong in respect of the West Rigel whereby Old Seadrill agreed that the share of sale proceeds from the sale of the West Rigel by Jurong would be USD 126 million. This agreement was considered to provide additional evidence of the value of the asset held for sale at 31 December 2017, and therefore reflected the agreed share of sales proceeds in the value of the asset held for sale at the balance sheet date, recognizing a USD 2 million loss on disposal.

On 27 April 2017, the delivery of the Sevan Developer was deferred to 31 May 2017 to finalize negotiations. In May 2017, the delivery was deferred to 30 June 2017. During July 2017 it was announced that the delivery deferral period was amended to further defer delivery to 30 June 2020 effective upon receipt of USD 25.3 million plus interest from Cosco, which was receipted in July 2017. The amendment gave Cosco the option to terminate the deferral period agreements on 1 July 2018 and again on 1 July 2019, which would require Cosco to refund the remaining USD 1 million investment balance. It was deemed that Sevan Drilling lost control of the asset and therefore the newbuild asset held of USD 526 million and corresponding construction obligation of USD 620 million and accrued interest and other liabilities of USD 19 million were derecognized at that date, resulting in a net loss on disposal of USD 75 million. The rig will remain in China at the Cosco Shipyard during which time Sevan Drilling retains the right to market the rig and acquire the rig at the original contracted amount.

The table below shows the maturity schedule for the newbuilding contractual commitments as of 31 March 2018 which reflects the recent deferral agreements with Jurong, Cosco and Dalian. It also contemplated the global settlement reached under the Plan, under which the contracts with Samsung and DSME were rejected and terminated. Reference is made to Section 5 "The Chapter 11 Reorganization" for further information on the Chapter 11 Proceedings.

*(In USD millions)*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 and thereafter</b>	<b>Total</b>
Newbuildings .....	1,685	-	-	-	-	-	1,685

The only newbuilding commitments that remain are the eight jack-up contracts that the Group has with the Dalian shipyard. These contracts are all with limited liability subsidiaries of Old Seadrill that do not have the benefit of an Old Seadrill guarantee. Upon technical completion of these newbuilds, it is expected that the Group will defer the actual delivery of each rig and compensate the yard for an agreed compensation for the extended period prior to the actual date of delivery of each rig, or alternatively look for other solutions.

Borrowings under the Group's credit facilities and available cash on hand are not sufficient to pay the remaining installments related to the Group's contracted yard commitments for all of the Group's newbuild drilling units, which totaled to USD 1.7 billion as of 31 March 2018. The Group is negotiating with Dalian a further resolution to these rigs.

### 12.5.2.5 Key financial covenants to the Group's borrowings

As part of the RSA entered into by Old Seadrill on 12 September 2017, the lenders agreed to waive any breach of, or default under, the Group's debt agreements after this date, which arose as a result of or was, directly or indirectly, related to the commencement of the Chapter 11 Proceedings or any of the steps contemplated in, or that were undertaken pursuant to, the RSA including any failure to comply with any of the financial covenants in the debt agreement. Reference is made to Section 12.5.2.2 "Overview of the Group's borrowings" above for further information on the RSA agreement and the impact on the covenants contained within the Group's its credit facilities and bonds. Accordingly, there were no applicable equity covenants in the Group's financing agreement up until the Debtors' emergence from Chapter 11. Following the Effective Date, the Group is not subject to any equity covenants.

Following emergence from Chapter 11, with exception of minimum liquidity requirements, the Company is exempt from financial covenants until Q1 2021. Thereafter, the Company is required to maintain specified financial ratios and to satisfy financial covenants, including ratios and covenants that pertain to, among other things, the Group's total indebtedness and EBITDA. If the Company is unable to comply with any of the restrictions and covenants in its debt agreements until Q1 2021 this will lead to a margin increase of 25 bps PIK interest and Banks' consultation rights, however it does not constitute an event of default. A minimum liquidity requirement applies in identical terms under each secured credit facility agreement in respect of the Group of companies comprising Seadrill Rig Holding Company Limited and its direct and indirect subsidiaries (being the RigCo Group). The minimum liquidity requirement is set at USD 525 million for the period up to and including 31 December 2018 and USD 400 million for the period from 1 January 2019 until final maturity under each secured credit facility agreement.

### 12.5.3 Sources and uses of cash

At 31 December 2017, the Group had cash and cash equivalents totaling USD 1.3 billion, compared to USD 1.4 billion in 2016. In the year ended 31 December 2017, the Group generated cash from operations of USD 0.4 billion, cash provided by investing activities were USD 0.3 billion, and cash outflows from financing activities were USD 0.8 billion. For a description of the effect of the Reorganization on the cash and cash equivalents balance at the Effective Date, please refer to Section 11.4.2a) "Reorganization adjustments – Adjustments to cash and cash equivalents".

The table below sets forth a summary of the Group's cash flow statement for the year ended 31 December 2017, with comparable figures for the years ended 31 December 2016 and 2015.

(In USD millions)

	Year ended 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
Net cash provided by operating activities .....	399	1,184	1,788
Net cash provided by/(used in) investing activities	329	328	(190)
Net cash used in financing activities .....	(846)	(1,206)	(1,370)
Effect of exchange rate changes on cash .....	5	18	(15)
<b>Net (decrease)/increase in cash and cash equivalents .....</b>	<b>(113)</b>	<b>324</b>	<b>213</b>
Cash and cash equivalents at beginning of the period.....	1,368	1,044	831
<b>Cash and cash equivalents at the end of period.....</b>	<b>1,255</b>	<b>1,368</b>	<b>1,044</b>

### Net cash provided by operating activities

*Year ended 31 December 2017 compared to the year ended 31 December 2016*

The net cash generated from operations decreased in 2017 compared to 2016 primarily due to a reduction to contract revenue as a result of an increased number of rigs that came off contract during the current period and reductions in certain operating dayrates. In 2017 there was a net cash outflow from working capital of USD 83 million, compared to an outflow of USD 6 million in 2016.

*Year ended 31 December 2016 compared to the year ended 31 December 2015*

The net cash generated from operations decreased in 2016 compared to 2015 primarily due to a reduction to contract revenue due an increased number of rigs that came off contract during the current period. In 2015 there was a net cash inflow from working capital of USD 82 million, compared to an outflow of USD 6 million in 2016. This is offset by continued improvements as a result of the Group's cost savings program, which saw operating expenditure decrease in 2016.

**Net cash provided by/ (used) in investing activities**

*Year ended 31 December 2017 compared to the year ended 31 December 2016*

The net cash provided by investing activities was USD 329 million in 2017, compared to net cash provided by investing activities of USD 328 million in 2016. In 2017 the Group spent USD 92 million on newbuildings, drilling units, and equipment, compared to USD 136 million in 2016. Net loans repaid from related parties was USD 66 million in 2017, compared to a net repayment of USD 163 million in 2016. In 2017 the Group made no additional investments in associated companies, compared to USD 16 million in 2016. In 2017, the Group received USD 170 million as full settlement for the cancellation of the West Mira construction contract and proceeds of USD 122 million for the disposal of the West Triton, West Mischief and West Resolute to Shelf Drilling. In April 2016 Old Seadrill sold its entire shareholding in *Sapura Energy Berhard* for net proceeds of USD 195 million (net of transaction costs).

*Year ended 31 December 2016 compared to the year ended 31 December 2015*

The net cash provided by investing activities was USD 328 million in 2016, compared to net cash used in investing activities of USD 190 million in 2015. This was primarily driven by the USD 1.2 billion sale of businesses in 2015, including the disposal of the West Polaris to Seadrill Partners and the disposal of 50% of the interest in SeaMex. In 2016 the Group spent USD 0.1 billion on newbuildings, drilling units, and equipment, compared to USD 0.9 billion in 2015. Net loans repaid from related parties was USD 163 million in 2016, compared to a net issuance of USD 290 million in 2015. In 2016 the Group made investments into associated companies totaling USD 16 million, compared to USD 210 million in 2015. In April 2016 Old Seadrill sold its entire shareholding in *Sapura Energy Berhard* for net proceeds of USD 195 million (net of transaction costs).

**Net cash used in financing activities**

*Year ended 31 December 2017 compared to the year ended 31 December 2016*

The net cash used in financing activities was USD 0.8 billion in 2017, compared to USD 1.2 billion in 2016. During the year ended 31 December 2017 the Group made external debt repayments of USD 0.8 billion, compared to USD 1.1 billion in 2016. During the Chapter 11 Proceedings, the Group did not make any repayments of debt principal held as subject to compromise. However, the Group continued to make interest payments on these facilities, representing adequate protection payments, which reduced the debt principal. During the year ended 31 December 2017 and 2016 there was no new external debt financing. During the year ended 31 December 2017, a commitment fee of USD 53 million was paid in relation to entering an investment agreement with new debt and equity investors providing the Group with USD 860 million of new debt financing and USD 200 million of new equity finance, subject to the reorganization of the Group's capital structure under the Chapter 11 Proceedings. During the year ended 31 December 2017, the Group repaid USD 39 million of related party debt, compared to repayment of USD 103 million of related party debt in 2016.

*Year ended 31 December 2016 compared to the year ended 31 December 2015*

The net cash used in financing activities was USD 1.2 billion in 2016, compared USD 1.4 billion in 2015. During the year ended 31 December 2016 the Group made external debt repayments of USD 1.1 billion, compared to USD 3.0 billion in 2015. In 2016 no facilities were fully repaid, with the amounts repaid representing quarterly or biannual coupon repayments. In 2015 the Group repaid debt on the maturing of the USD 700 million facility for jack-up drilling units and maturity of the USD 350 million fixed interest bond, which was repaid at par value. During the year ended 31 December 2016 there was no new external debt financing, compared to USD 1.5 billion in 2015. In 2015 new facilities included the new USD 950 million facility for the West Carina and West Eclipse, and the new USD 450 million facility for six jack-up drilling units. During the year ended 31 December 2016, the Group repaid USD 103 million of related party debt, compared to proceeds from debt to related party in 2015 of USD 143 million.

**12.5.4 Capital expenditure**

The table below sets out the Group's capital expenditures on fixed assets for the years ended 31 December 2017, 2016 and 2015. From the year ended 31 December 2017 and until the date of this Prospectus, the Group has not had any significant investments.

*(In USD millions)*

	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Floaters .....	128	192	950

Jack-up rigs.....	22	35	95
<b>Total</b> .....	<b>150</b>	<b>227</b>	<b>1,045</b>

The Group had total capital expenditures on its drilling units and newbuildings of approximately USD 150 million, USD 227 million and USD 1,045 million in the years ended 31 December 2017, 2016 and 2015, respectively. This includes maintenance expenditures of USD 58 million, USD 95 million and USD 106 million in the years ended 31 December 2017, 2016 and 2015, respectively. The capital expenditures in 2015 primarily relate to the delivery of the West Carina. The remaining capital expenditures are spread across the Group's fleet.

The Group financed this capital expenditure through cash generated from operations, secured and unsecured debt arrangements, and the sale of partial ownership interests in certain subsidiaries and investments.

#### 12.5.5 Contractual obligations

In addition to the Group's borrowings as described above in Section 12.5.2.2 "Overview of the Group's borrowings", the Group had the following contractual obligations as at 31 March 2018.

(In USD millions)

	Within one year	One to five years	More than five years	Total
Newbuilds <sup>1</sup> .....	1,685	-	-	1,685
Operating leases .....	12	27	1	40
<b>Total</b> .....	<b>1,697</b>	<b>27</b>	<b>1</b>	<b>1,725</b>

1 Includes 8 jack-up contracts that the Group has with the Dalian shipyard. For further information about the rigs, please see the information provided in the table included in Section 8.5.2 "Drilling units and newbuildings".

On 22 January 2015, the Group entered into an agreement with Dalian to defer the deliveries of eight jack-ups that were previously scheduled to be delivered in 2015 and 2016, to 2016 and 2018. On 3 June 2015, the Group entered into a second amendment with Dalian to defer the deliveries of four jack-ups that were previously due in 2016 to late 2016 and 2017. On 18 April 2016, the Group entered into agreements with Dalian to further defer the deliveries of all eight jack-ups under construction. On 28 December 2016, the Group entered into agreements with Dalian to further deliver the first four jack-ups under construction. Following this latest deferral agreement, four units were scheduled to be delivered in 2017 and four units were scheduled to be delivered in 2018. Dalian has tendered the first three jack-ups under construction for delivery, but this has been rejected due to non-completion of the agreed scope by the Dalian shipyard. Upon technical completion, the Company expects to defer the actual delivery of each rig and compensate the shipyard with an agreed compensation for the extended period prior to the actual date of delivery of each rig, or alternatively, look for other sensible solutions.

Borrowings under the Group's credit facilities and available cash on hand are not sufficient to pay the remaining installments related to the Group's contracted yard commitments for all of the Group's newbuild drilling units, which totaled to USD 1.7 billion as of 31 March 2018. The Group is negotiating with Dalian a further resolution to these rigs. The newbuild contracts with Dalian have been entered into by limited liability subsidiaries of the Group, and are not guaranteed by the Group. Operating leases are primarily financed through operating cash flows. The contractual obligations for the 8 jack-up rigs as described above are not included in the Company's assessment of the Group's requirements for working capital, cf. section 9.4 "Working capital statement".

#### 12.5.6 Future investments

Other than those commitments included under Section 12.5.5 "Contractual obligations" above, the Group has no future investments committed as at the date of this Prospectus. However, the Group has costs of maintaining certifications in respect of rig operations on a five-yearly basis along with spend that is required in order to repair and maintain the Group's fleet. The Group expects such costs to be in line with the Group's historical costs of maintaining certifications, please see Section 12.5.3 "Sources and uses of cash" under the sub-headline "Net cash provided by/ (used) in investing activities for the year ended 31 December 2017 compared to the year ended 31 December 2016" for further information in this respect. The Group also has a number of rigs that have been warm or cold stacked during the recent downturn in the industry and, as the market recovers, it is anticipated that there will be future expenditures required to reactivate these rigs in order for them to operate. It is estimated that the reactivation cost for a cold stacked floater amounts to USD 30 million and USD 10 million for a cold stacked jack-up.

### 12.5.7 Dividends

#### 12.5.7.1 Overview

For the years ended 31 December 2017, 2016 and 2015 Old Seadrill did not pay any dividends. On 26 November 2014, Old Seadrill suspended dividend distributions until further notice. As a result of the amendments to Old Seadrill's secured loan agreements in May 2015 to increase the leverage ratio contained in its senior secured credit facilities, Old Seadrill was restricted from paying dividends so long as the amended ratio is in effect until 1 January 2017. In addition, in April 2016, as part of the amendments to the covenants contained in the senior secured credit facilities, Old Seadrill was restricted from making dividend distributions during the amendment period until 30 June 2017. On 4 April 2017, Old Seadrill extended the amendment period until 30 September 2017. Old Seadrill was prohibited by U.S. bankruptcy law and other provisions of applicable law from making dividends to shareholders during the pendency of the Chapter 11 Proceedings.

Reference is made to Section 6 "Dividend and dividend policy" for more information on Seadrill's dividend policy.

#### 12.5.7.2 Restrictions

Old Seadrill was, and Seadrill is, the parent company of the operating subsidiaries. As the ultimate parent holding company, Old Seadrill was not, and Seadrill is not, a party to any drilling contracts directly. As such, Seadrill is dependent on receiving cash distributions from its subsidiaries and other investments to meet its payment obligations. Cash dividend payments are regularly transferred by the various subsidiaries. Surplus funds are deposited to maximize returns while providing the parent company with flexibility to meet all requirements for working capital and capital investments.

#### 12.5.8 Hedging of market risk

The majority of gross earnings from the Group's drilling units are received in U.S. dollars and the majority of the Group's other transactions, assets and liabilities are also denominated in U.S. dollars, as the Group's functional currency. However, the Group has operations and assets in a number of countries and incurs expenses in other currencies, causing its results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar. The Group's exposure to interest rate risks relates mainly to its floating interest rate debt and balances of surplus funds placed with financial institutions. This exposure is managed through the use of interest rate swaps and other derivative arrangements. The Group's objective is to obtain the most favorable interest rate borrowings available without increasing the Group's foreign currency exposure. Surplus funds have generally been used to repay revolving credit facilities, or placed in accounts or fixed deposits with reputable financial institutions in order to maximize returns, while providing the Group with the flexibility to meet working capital and capital investments. The extent to which the Group utilized interest rate swaps and other derivatives to manage its interest rate risk has been determined by the net debt exposure.

On 11 May 2018, the Group entered into a five year amortizing interest rate cap to hedge its interest rate risk. Reference is made to Section 15.12 "Other financial instruments" for more information.

#### 12.5.9 Ability to continue as a going concern

The consolidated financial statements were prepared on a going concern basis and contemplated the realization of assets and satisfaction of liabilities in the normal course of business. The Group's going concern assumption was based on Management's expectation that the restructuring program described in Section 5 "The Chapter 11 Reorganization" would alleviate the primary conditions that raised substantial doubt as to the Group's ability to continue as a going concern when completed. Furthermore, the Group's business operations were unaffected by the Chapter 11 Proceedings and the restructuring efforts, and the Group met its ongoing customer and business counterparty obligations during the course of the Chapter 11 Proceedings. On 2 July 2018 the Debtors emerged from the Chapter 11 Proceedings, thus mitigating the aforementioned substantial doubt as to the Group's ability to continue as a going concern. As at the Effective Date, there was no substantial doubt regarding the Group's ability to continue as a going concern.

### 12.6 Research and development, patents and licenses, etc.

The Group does not undertake any significant expenditure on research and development, and have no significant interests in patents or licenses.

## 12.7 Recent developments and trends

The offshore drilling market is entering the fifth year of a downturn and the timing of recovery remains uncertain. The below table show the average oil price over the period 2013 to 2017.

	2013	2014	2015	2016	2017
Average Brent oil price (USD/bbl)	108.70	99.49	53.60	45.13	54.74

Brent oil prices have been in the range from USD 45 to USD 55 throughout most of 2017 before increasing in the last quarter and early 2018. The Brent oil price on 31 March 2018 was USD 70.

Oil and gas companies have responded to the decrease in oil price over the downturn by decreasing their upstream expenditures. During 2017, oil and gas companies have continued to focus on preserving cash, in some cases consciously allowing the production decline rate on producing fields to accelerate because of reduced infill drilling and well intervention. Based on the decreased level of investment since 2014, the Company expects that production decline rates will increase. Further, the longer the period of lower investment persists, the more new projects and infill drilling will be required to replace the lost production.

The below table shows the global number of rigs on contract at 31 March 2018 and for each of the four preceding years.

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Contracted floating rigs	260	237	170	135	125
Contracted jacked-up rigs	415	398	322	297	294

During 2017, an increase in the activity level in the floater market has been seen, albeit primarily for short-term work at extremely competitive dayrates. This improvement was from a low base and the Company still expect utilization in the floater market to get worse before it improves. Whether the recent increase in oil price will lead to a recovery in offshore exploration and development expenditure in 2018 remains uncertain. It is important to recognize that the resetting of costs across the value chain may facilitate increased activity with only a marginal increase in oil prices.

At the same time, the offshore drilling market remains oversupplied. Offshore drilling contractors have continued to aggressively market their rigs, often focusing on utilization over returns. The below table shows the utilization of the global fleet at 31 March 2018 and for each of the four preceding years.

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Global fleet – floaters	320	313	303	282	259
Global fleet – jack-up	517	540	541	539	526
Utilization – floaters	81%	76%	56%	48%	48%
Utilization – jack-up	80%	74%	60%	55%	56%

Older units that roll off contract that may require significant capital expenditure to return to the working fleet are therefore more likely to be cold stacked and ultimately scrapped. The Company expects the combination of declining rates and accelerated scrapping activity to lead to a balanced market at some point. Based on the expected level of scrapping activity and the number of units that are anticipated to be cold stacked, a relatively small increase in spending could meaningfully tighten the floater and tender markets.

### *Floaters – outlook*

Based on the level of current activity and the aging floater fleet, the Company expects scrapping activity to continue. A total of 103 floaters have been scrapped or retired since the beginning of 2014, equivalent to 32% of the total fleet, and as of 31 March 2018 there were 28 cold or warm stacked units with no follow-on work identified that are 30 years old or older, which are prime scrapping candidates. In the next 18 months, a further 22 units that are 30 years old or older will be coming off contract with no follow-on work identified which represents additional scrapping candidates. A key rationale for scrapping is the 35-year classing expenditures that can cost upwards of USD 100 million. Many rig owners will choose to retire the unit rather than incur this cost without a visible recovery in demand on the horizon.

Larger drilling companies with diversified fleets will find it easier to make economic decisions and cold stack idle rigs as each individual unit represents a smaller percentage of the overall fleet. Cold stacked units will generally require an improvement in dayrates sufficient to overcome reactivation costs before they are reintroduced into marketed supply. Significant cold stacking activity would represent a positive development in the market, effectively reducing marketed supply and helping to stabilize utilization and pricing until a more fundamental recovery is in place.

Currently 125 floaters out of 259 floaters are under contract, representing 48% marketed utilization. It is estimated that 180-200 rigs are needed in the floater fleet to maintain long-term average decline curves.

Currently the global floater order book stands at approximately 42 units, comprised of 28 drillships and 14 semi-submersible rigs. In total 12 are scheduled for delivery in 2018, 17 in 2019 and 13 in 2020 and beyond. Due to the subdued level of contracting activity, it is likely that a significant number of newbuild orders will be delayed or canceled until an improved market justifies taking delivery.

#### *Jack-ups*

Tendering activity in the jack-up market during 2017 continued, albeit at low dayrates. The shorter-term contract profile in this market lends itself to more turnover and the market has likely reached the base level of units required to maintain existing decline curves.

Globally, marketed utilization is 56%. For units built before 2007 marketed utilization is 50% while for newer units marketed utilization is 63%. While utilization is still far from levels required for pricing power, the Company believes that customers continue to demonstrate a preference for newer and more capable equipment that can provide safer and more efficient operations.

Currently there are 56 cold stacked units that are 30 years old or older. Additionally, in the next 18 months 91 units that are 30 years old or older will be coming off contract with no follow-on work identified. Together these 147 units, or 28% of the delivered fleet, represent prime scrapping candidates.

In total 90 additions to the fleet are currently under construction; however, a significant portion of these orders were placed by investors with little or no operating track record. While a number of these speculators may exit projects, these units will eventually reach the market, possibly in the hands of more established companies. The deployment of this incremental supply may be somewhat rationalized in the longer term as the more established players will likely only take delivery when economically viable.

#### **12.8 Off-balance sheet arrangements**

The Group had no off-balance sheet arrangements as at 31 December 2017, 2016 or 2015, other than operating lease obligations and other commitments in the ordinary course of business that the Group is contractually obligated to fulfil with cash under certain circumstances. These commitments include guarantees in favor of banks, suppliers and VIEs and guarantees towards third parties such as surety performance guarantees to customers as they relate to the Group's drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these guarantees are not normally called, as the Group typically complies with the underlying performance requirement. As at 31 December 2017, the Group had not been required to make collateral deposits with respect to these agreements.

The Group's maximum future payments are summarized in "Purchase commitments" and "Guarantees" below.

#### ***Purchase commitments***

As at 31 December 2017 the Group had contractual commitments under nine newbuilding contracts, totaling USD 1,685 million (compared to USD 4,098 million as at 31 December 2016 and USD 4,049 million as at 31 December 2015). As part of the Chapter 11 Proceedings, the Debtors negotiated and announced a global settlement with various creditors, including Samsung and DSME. The global settlement included an agreement regarding the allowed claim of the newbuild shipyards Samsung and DSME, and the Debtors' rejection and recognized termination of the newbuild contracts for the West Dorado, West Draco, West Aquila and West Libra. In addition, the newbuilding commitments for the Sevan Developer previously had a contract obligation balance of USD 480 million as at 31 December 2016.



This increased to USD 526 million in 2017 but was subsequently derecognized in April 2017 as Sevan Drilling was deemed to have lost control of the asset and therefore derecognized the newbuild asset and construction obligation.

The remaining purchase commitments are mainly yard installments and are for the construction of eight jack-up rigs. The table below shows the maturity schedule for the newbuilding contractual commitments as at 31 December 2017, and reflects the most recent deferral agreement with Dalian. The newbuild contracts with Dalian have been entered into by limited liability subsidiaries of the Group, that are not guaranteed by the Group.

(In USD millions)

	2018	2019	2020	2021	2022	2023 and thereafter	Total
Newbuilding commitments	1,685	-	-	-	-	-	1,685

### Guarantees

The Group has issued guarantees in favor of third parties, as set out in the table below, which is the maximum potential future payment for each type of guarantee. As at 31 December 2017, except for where specifically stated, the Group has not recognized any liabilities for the below guarantees as it does not find it probable for the guarantees to be called.

(In USD millions)

	Year ended 31 December		
	2017 <i>(audited)</i>	2016 <i>(audited)</i>	2015 <i>(audited)</i>
Guarantee in favor of customers <sup>(1)</sup>	1,213	1,403	1,530
Guarantee in favor of banks <sup>(1), (2), (3), (4)</sup>	698	1,677	1,632
Guarantee in favor of suppliers <sup>(1), (2), (3), (4)</sup>	2,200	2,600	2,744
<b>Total</b>	<b>4,111</b>	<b>5,680</b>	<b>5,906</b>

(1) Guarantees to Seadrill Partners - Within guarantees in favor of customers are guarantees provided on behalf of Seadrill Partners of USD 165 million (2016: USD 185 million and 2015: USD 370 million). After the insulation of Seadrill Partners from the Group in August 2017 there were no guarantees in favor of banks provided on behalf of Seadrill Partners (2016: USD 621 million and 2015: USD 698 million). Guarantees in favor of suppliers includes guarantees on behalf of Seadrill Partners of USD 0.6 million (2016: USD 0.4 million and 2015: USD 86 million). Reference is made to Section 14.2.1 "Seadrill Partners" for more information.

(2) Guarantees to SeaMex - Within guarantees in favor of customers are guarantees provided on behalf of SeaMex of USD 30 million (2016: USD 30 million and 2015: USD 30 million). Guarantees in favor of banks includes guarantees on behalf of SeaMex of nil (2016: nil and 2015: USD 81 million). Reference is made to Section 14.2.5 "SeaMex Limited" for more information.

(3) Guarantees to Archer - Within guarantees provided to customers are guarantees provided on behalf of Archer of USD 8 million (2016: USD 8 million and 2015: USD 8 million). There were no guarantees in favor of banks provided on behalf of Archer as at 31 December 2017 as these were settled during the year (2016: USD 253 million and EUR 24 million (USD 25 million) and 2015: USD 268 million and EUR 33 million (USD 36 million)). Guarantees in favor of suppliers include guarantees on behalf of Archer of GBP 7 million (USD 10 million) (2016: GBP 8 million (USD 10 million) and 2015: GBP 9 million (USD 14 million)). As of 31 December 2016, the Group recognized a USD 28 million contingent liability to reflect the potential cash settlement of the guarantees. Reference is made to Section 14.2.4.1 "Archer transactions" for more information.

(4) Guarantees to Seabras Sapura. Within guarantees in favor of banks are guarantees provided on behalf of Seabras Sapura Participacoes and Seabras Sapura Holdco totaling USD 698 million (2016: USD 787 million and 2015: USD 550 million). There were no guarantees in favor of suppliers in relation to the joint venture Seabras Sapura Holdco (2016: nil and 2015: USD 125 million). Reference is made to Section 14.2.6 "Seabras Sapura transactions" for more information.

## 12.9 Tabular disclosure of contractual obligations

As of the Effective Date, the Group had the following contractual obligations and commitments:

(In USD millions)

	Payment due by period				
	2018	2019-2020	2021-2022	Thereafter	Total
Interest expense	397	964	908	2,139	4,408
Interest-bearing debt	252	843	-	6,184	7,279
Related party interest-bearing debt	-	-	-	314	314
<b>Total debt repayments</b>	<b>649</b>	<b>1,865</b>	<b>908</b>	<b>8,637</b>	<b>12,001</b>
Interest expense	-	-	-	-	-
Related party interest payments	19	37	37	46	139
Pension obligations <sup>1</sup>	3	6	6	15	30
Operating lease obligations	12	15	12	1	40
Newbuilding commitments <sup>2</sup>	1,685	-	-	-	1,685
<b>Total contractual obligations</b>	<b>2,368</b>	<b>1,865</b>	<b>963</b>	<b>8,699</b>	<b>13,895</b>

- 1 Pension obligations are the forecasted employer's contributions to the Group's defined benefit plans, expected to be made over the next ten years.
- 2 Newbuilding commitments relate to eight jack-up rigs totaling USD 1.7 billion with Dalian, reflecting all recent deferral agreements. This excludes the contractual obligation for the West Dorado, West Draco, West Aquila and West Libra of which settlement was agreed with Samsung and DSME as part of the global settlement agreement. In addition, USD 0.5 billion related to the Sevan Developer is excluded as it was derecognized in July 2017 as Sevan Drilling and Cosco reached agreement to defer the Sevan Developer delivery period until 30 June 2020. The contract amendment included a termination clause for Cosco and it was deemed to have lost control of the asset and therefore a disposal of the asset was deemed necessary. Reference is made to Note 6 "Loss on disposals" of the consolidated financial statements for the year ended 31 December 2017, included in this Prospectus by reference (see Section 19.3 "Incorporation by reference") for further information.

In addition to the above, the Group has recognized uncertain tax positions of USD 55 million as at 31 December 2017.

## 12.10 Significant changes

Since the date of the last financial statements, being 31 December 2017, the following subsequent events have occurred:

### *Global settlement agreement*

As part of the Chapter 11 Proceedings, the Debtors negotiated and announced a global settlement with various creditors, including Samsung and DSME on 26 February 2018. The amendments to the RFSA and the Investment Agreement provided for, among other items, an agreement regarding the allowed claim of the newbuild shipyards Samsung and DSME, and an immediate cessation of all litigation and discovery efforts in relation to the Plan as well as the Debtors' rejection and recognized termination of the newbuild contracts. The settlement agreement was contingent on confirmation of the Plan. Following the allowed claim agreement in respect of Samsung and DSME, the Group recognized a liability of USD 1.064 billion as at 31 December 2017. Because the Plan anticipated the rejection and termination of the newbuild contracts, the Group recognized an impairment of the newbuild assets related to West Dorado, West Draco, West Aquila and West Libra, totaling USD 696 million at year-end 31 December 2017.

### *West Rigel settlement agreement*

On 5 April 2018, the Group entered into a settlement and release agreement, subject to the Bankruptcy Court approval, with Jurong in respect of the West Rigel, whereby the Group agreed that the share of proceeds from the sale of the West Rigel by Jurong would be USD 126 million. The Group considers this agreement to provide additional evidence for the value of the asset held for sale at 31 December 2017, and has therefore reflected the agreed share of proceeds in the sales value of the asset held for sale at the balance sheet date.

### *AOD Transaction Support Agreement*

On 4 April 2018, Old Seadrill and AOD entered into a transaction support agreement (the "TSA") with Mermaid International Ventures ("Mermaid"), the minority equity holder in AOD, under which Old Seadrill and Mermaid have agreed to support the restructuring transactions contemplated by the Plan. Under the terms of the TSA, Mermaid and Old Seadrill have also agreed the terms of put and call options in respect of Mermaid's shares in AOD, which are available from the fourth quarter of 2019. Seadrill has acceded to the TSA.

### *Listing on the NYSE*

Trading in the Shares on the NYSE commenced on 3 July 2018.

### *The Reorganization*

Reference is made to Section 5 "The Chapter 11 Reorganization" and Section 11 "Unaudited pro forma condensed consolidated financial statements" for more information on how the Chapter 11 Proceedings have and will affect the Group's financial position.

### *Early termination of West Leo*

Seadrill Partners, the Master Limited Partnership that the Company established in 2012 and in which it holds approximately a 46.6% interest in, was awarded a USD 273 million settlement from the English High Court following a dispute with Tullow Ghana Limited in relation to the early termination of the West Leo. On 18 July 2018 it was announced by Seadrill Partners that Tullow Ghana Limited would not be appealing this ruling and that they had

received USD 248 million, being the settlement inclusive of interest, but net of withholding tax, VAT and legal expenses.

Other than the above, there has been no significant change in the Group's financial or trading position since 31 December 2017.

## 13 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

### 13.1 Board of Directors

#### 13.1.1 Overview of the Board of Directors

The Board of Directors is responsible for the overall management of the Company and may exercise all of the powers of the Company not reserved to the Company's shareholders by the Bye-Laws or Bermuda law.

The Bye-Laws provide that, as long as Hemen's ownership interest is equal to or exceeds 5% and its ownership percentage has not previously fallen below 5%, the Board of Directors shall consist of not more than seven Directors, unless the Company's shareholders by Ordinary Resolution (as such term is defined in the Bye-Laws) resolve otherwise and Hemen provides its prior written consent thereto. If Hemen's ownership interest falls below 5%, the number of Directors shall be such number as the Company's shareholders by Ordinary Resolution may from time to time determine. The Directors are either appointed by certain of the Company's shareholders pursuant to appointment rights set out in the Bye-Laws (see Section 15.14.2.2 "Election and removal of Directors" for information on such appointment right procedures) or elected by the Company's shareholders at the annual general meeting or any special general meeting called for that purpose. The Company's shareholders may authorize the Board of Directors to fill any vacancy in their number left unfilled at an annual general meeting or any special general meeting called for that purpose. If there is a vacancy of the Board of Directors occurring as a result of the death, disability, disqualification or resignation of any Director (other than an Investor Appointed Director (as defined in the Bye-Laws)), the Board of Directors has the power to appoint a Director to fill the vacancy.

As of the date of this Prospectus, the Company has a Board of Directors composed of seven Directors (the "**Directors**"). The names and positions of the Directors are set out in the table below.

The Board of Directors is in compliance with the independence requirements of (i) the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the "**Corporate Governance Code**") and (ii) the listing rules of the Oslo Stock Exchange. With exception of John Fredriksen and Harald Thorstein, all Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the Shares in the Company). Management is not represented on the Board of Directors.

The Company's registered office address at Par-la-Ville Place, 14 Par-la-Ville road, Hamilton HM 08, Bermuda, serves as the business address for the members of the Board of Directors in relation to their directorships of the Company.

#### 13.1.2 The Board of Directors

The Board of Directors consists of seven individuals. The names, positions and current term of office of the Directors as of the date of this Prospectus are set out in the table below.

<b>Name</b>	<b>Position</b>	<b>Served since</b>	<b>Term expires</b>
Birgitte Ringstad Vartdal.....	Director	2018	2019
Eugene I. Davis.....	Director	2018	2019
Harald Thorstein.....	Director	2018	2019
John Fredriksen.....	Chairman	2018	2019
Kjell-Erik Østdahl.....	Director	2018	2019
Peter J. Sharpe.....	Director	2018	2019
Scott D. Vogel.....	Director	2018	2019

#### 13.1.3 Brief biographies of the Directors

Set out below are brief biographies of the members of the Board of Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Board of Directors is or has been a member of the administrative, management or supervisory bodies or partner in the previous five years (not including directorships and management positions in subsidiaries of the Company).

#### **Birgitte Ringstad Vartdal, Director**

Birgitte R. Vartdal serves as an independent director appointed by Hemen. Ms. Vartdal has served as Chief Executive Officer of Golden Ocean Management AS since May 2016 and previously served as Chief Financial Officer of Golden Ocean from June 2010 to April 2016. Ms. Vartdal current serves on the board of Marine Harvest ASA and as a member of the corporate assembly of Equinor ASA. She also previously served as a director of Sevan Drilling Ltd (formerly

Sevan Drilling ASA). Ms. Vartdal holds a degree of Siv.Ing. (MSc) in Physics and Mathematics from the Norwegian University of Science and Technology (*Nw. NTNU*) and an MSc in Financial Mathematics from Heriot-Watt University, Scotland.

*Current directorships and management positions:* ..... *Marine Harvest ASA (director), Golden Ocean Management AS (chief executive officer and director), various subsidiaries of Golden Ocean Group Limited (director), Vartdal Fiskeriselskap AS (director), and Equinor ASA (member of the corporate assembly).*

*Previous directorships and management positions in the last five years:* ..... *KVART Invest AS (director), Sevan Drilling Ltd (director), Sevan Drilling ASA (prior Ltd.) (director), Sevan Drilling Management AS (director), and Golden Ocean Management AS (chief financial officer).*

### **Eugene I. Davis, Director**

Eugene I. Davis serves as an independent director appointed by the mutual agreement of Hemen, Centerbridge and the Select Commitment Parties. Mr. Davis is the Chairman and Chief Executive Officer of PIRINATE Consulting Group, LLC, a privately held consulting firm specializing in turnaround management, merger and acquisition consulting, hostile and friendly takeovers, proxy contests and strategic planning advisory services for domestic and international public and private business entities. Since forming PIRINATE in 1997, Mr. Davis has advised, managed, sold, liquidated and served as a chief executive officer, chief restructuring officer, director, chairman or committee chairman of a number of businesses operating in diverse sectors. He was the President, Vice Chairman and a director of Emerson Radio Corporation, a consumer electronics company, from 1990 to 1997 and was the Chief Executive Officer and Vice Chairman of Sport Supply Group, Inc., a direct-mail marketer of sports equipment, from 1996 to 1997. Mr. Davis began his career in 1980 as an attorney and international negotiator with Exxon Corporation and Standard Oil Company (Indiana) and was in private practice from 1984 to 1998.

Mr. Davis currently serves as Co-Chairman of Verso Corporation and Chairman of the Board of Atlas Iron Limited, which executed definitive documentation to be acquired by Mineral Resources with Mr. Davis agreeing to resign at closing. Mr. Davis also serves as a director of Titan Energy, LLC and VICI Properties, Inc., as well as certain private, non-SEC reporting companies. During the past five years, Mr. Davis has been a director of the following public or formerly public companies: ALST Casino Holdco, LLC; Atlast Air Worldwide Holdings, Inc.; The Cash Store Financial Services, Inc.; Dex One Corp.; Genco Shipping & Trading Limited; Global Power Equipment Group, Inc.; Goodrich Petroleum Corp.; Great Elm Capital Corp.; GSI Group, Inc.; Hercules Offshore, Inc.; HRG Group, Inc.; Knology, Inc.; SeraCare Life Sciences, Inc.; Spansion, Inc.; Spectrum Brands Holdings, Inc.; and WHIM Corp.

Mr. Davis obtained a Bachelor's degree from Columbia College, a master of international affairs degree (MIA) in international law and organization from the School of International Affairs of Columbia University, and a Juris Doctorate from Columbia University School of Law.

*Current directorships and management positions:* ..... *Bluestem Brands (executive chairman), Fairway Markets (director), Millenium Health (chairman), PIRINATE Consulting Group, LLC (chairman and chief executive officer), Verso Corporation (co-chairman), Atlas Iron Limited (chairman), Titan Energy, LLC (director), and VICI Properties, Inc. (director).*

*Previous directorships and management positions in the last five years:* ..... *US Concrete (chairman), ALST Casino Holdco, LLC (director), Atlas Air Worldwide Holdings, Inc. (chairman), The Cash Store Financial Services, Inc. (chairman), Dex One Corp. (chairman), Genco Shipping & Trading Limited (director), Global Power Equipment Group, Inc. (director), Goodrich Petroleum Corp. (director), Great Elm Capital Corp. (director), GSI Group, Inc. (director), Hercules Offshore, Inc. (director), HRG Group, Inc. (director), Knology, Inc. (director), SeraCare Life Sciences, Inc. (chairman), Spansion, Inc. (director), Spectrum Brands Holdings, Inc. (director), WMIHI Corp. (chairman), Atlantic Express*

(chairman), Bally Total Fitness (chairman), Grede, Inc. (director), Key Plastics (chairman), BMC Group (chairman), Bankruptcy Management Solutions (chairman), CIFG (chairman), San Antonio Oil and Gas (chairman), Lumenis Corp (director), Emerald Holdings (director), Patriot Coal (chairman), Stallion Oilfield Services (chairman), Merisant (chairman), Sonifi (director), Entegra Power (chairman), Radio Shack (director), TerreStar (chairman), Trump Entertainment Holdings (director), iPayment (director), Patheos (director), Trident Exploration (chairman), Congoleum (director), Venoco (director), Longview Power (director), Upstate NY Power Producers (director), Aventine (chairman and director), Petro Rig (chairman), Corus Bancharas (director), US Powergen (Director), Cleveland Unlimited (director), and IAP (director).

### Harald Thorstein, Director

Harald Thorstein serves as a director appointed by Hemen. Harald Thorstein has served as a director of Seadrill Partners LLC since September 2012. Mr. Thorstein is currently employed by Seatankers Consultancy Services (UK) Limited (previously Frontline Corporate Services) in London, prior to which he was employed in the Corporate Finance division of DnB NOR Markets, specializing in the offshore and shipping sectors. He has also served as a director of Ship Finance International Limited since 2011. Mr. Thorstein has served as a director of Solstad Farstad ASA since June 2017 and Axactor AB since September 2017.

*Current directorships and management positions:* ..... *Ship Finance International Limited (director) and Solstad Farstad ASA (director).*

*Previous directorships and management positions in the last five years:* ..... *Old Seadrill (director), Axactor AB (director), Golden Ocean (director), Frontline 2012 (director), Deep Sea Supply (Director) and Aktiv Kapital (director).*

### John Fredriksen, Chairman

John Fredriksen serves as a director appointed by Hemen. Mr. Fredriksen has served as Chairman of the Board, President, and a director of Old Seadrill since its inception in May 2005. Mr. Fredriksen has also served since 1997 as Chairman, President, and a director of Frontline Ltd., a Bermuda company listed on the NYSE and the OSE, and from 2001 until September 2014 as Chairman of the Board, President and a director of Golar LNG Limited, or Golar, a Bermuda company listed on the Nasdaq Global Market. Mr. Fredriksen also currently serves as a director of Golden Ocean Group Limited, a Bermuda company listed on the Nasdaq Stock Market and the OSE, since March 2015. Mr. Fredriksen also served as a director and chairman of the board of NADL from its inception in 2011 until September 2015.

*Current directorships and management positions:* ..... *Sloan Advisors Limited (UK) (director), Frontline Ltd. (chairman, president and director) and Golden Ocean Group Limited (director).*

*Previous directorships and management positions in the last five years:* ..... *Golar LNG Limited (chairman, president and director), Blueflame Enterprises Limited (Cyprus) (director), Old Seadrill (director), and North Atlantic Drilling Limited. (director and chairman).*

### Kjell-Erik Østdahl, Director

Kjell-Erik serves as an independent director appointed by Hemen. Since 2016, Mr. Østdahl has been a senior advisor to Blackstone's Private Equity Energy division in London and has also acted as a senior advisor at EY in Stavanger, Norway. Prior to that, between 2014 to 2015, Mr. Østdahl worked in Norway as a senior partner at HitecVision, a private equity investor focused on the upstream oil and gas industry. Prior to that, between 1990 and 2005, and again between 2007 to 2013 and 2013, Mr. Østdahl worked at Schlumberger and its subsidiary, WesternGeco, including in France as EVP Operations and Support and Chief Procurement, in the U.K. and Norway as VP Operations,

General Manager, Marketing Manager, Business Development Manager and Local Manager and in China and Indonesia as a Field Engineer. Between 2006 and 2007, Mr. Østdahl worked at Statoil as Chief Procurement Officer (Norway). He holds and has held various non-executive directorships and advisory roles including: (a) as Chairman of Sekal (Norway) from 2015 to date, and of Atlantica Tender Drilling (U.S.A) from 2014 to 2016; and (b) as a board member of the Flux Group (Norway) from 2015 to 2016 and of Wirescan (Norway) from 2014 to 2015. Mr. Østdahl has also agreed to act as a director of Mime, a new independent E&P player in the North Sea. Mr. Østdahl holds an MSc Electrical Engineering degree from NTNU Norwegian University of Science & Technology, Norway.

*Current directorships and management positions:* ..... *Sekal AS (director), Olympic Subsea ASA (director), CannSeal AS (chairman of the board), Mime Petroleum AS (director) and Mime Petroleum Holding AS (director)*

*Previous directorships and management positions in the last five years:* ..... *OneSubsea (director), Aarbakke AS (chairman of the board), DeepWell AS (director), Ross Offshore AS (director), Apply Søro AS (director), Atlantica Tender Drilling Ltd. (director), Circle Group AS (director) and Flux Group AS.*

### **Peter J. Sharpe, Director**

Peter J. Sharpe serves as an independent director appointed by Centerbridge. Mr. Sharpe retired from Shell in 2017 after holding a diverse range of Executive Management positions in international locations over a period of 37 years. Mr. Sharpe served as Executive Vice President of Royal Dutch Shell for over 10 years, with responsibility for managing Shell upstream investments in well construction and maintenance globally. Mr. Sharpe brings significant experience in all aspects of upstream development, asset management, and major project delivery. Mr. Sharpe served as Chairman of SWMS Pte Ltd an independent Joint Venture between Shell and CNPC from 2012 to 2017 and as a non-Executive director of Xtreme Drilling and Coil Services Corporation from 2008 to 2014. He brings to the Board expertise in strategic and operational risk management, supply chain management, organizational change and monetization of technology. Mr. Sharpe received a Bachelor of Science degree from the University of Hull in 1980 and is currently Chairman of the Board of Governors at Eastfield School.

*Current directorships and management positions:* ..... *P J Sharpe Consultancy Ltd (director).*

*Previous directorships and management positions in the last five years:* ..... *Sirius Well Manufacturing Services Pte Ltd (chairman of the board), Xtreme Drilling and Coil Services Corporation (director), Shell (executive vice president), Shell EP Wells Equipment Services B.V (director) and Shell Upstream Indonesia Services B.V (director).*

### **Scott D. Vogel, Director**

Scott D. Vogel serves as an independent director appointed by the Select Commitment Parties. Mr. Vogel is the Managing Member of Vogel Partners LLC, a private investment firm. He was previously a managing director at Davidson Kempner Capital Management, L.L.C., in the Global Distressed Debt Group managing over USD 15 billion in assets and 75 investment professionals. Mr. Vogel also serves as a Director on the public company Boards of Bonanza Creek Energy, Key Energy Services, Arch Coal, and Avaya Inc and several private companies.

*Current directorships and management positions:* ..... *Vogel Partners LLC (managing member), Arch Coal, Inc. (director), Avaya Inc. (director), Bonanza Creek Energy Inc (director), Key Energy Services (director), Longview Power (director), Merrill Corp (director), Modular Space Holdings (director), Argos Holdings (director) and SunEdison Inc. (director).*

*Previous directorships and management positions in the last five years:* ..... *NEG Parent LLC (Director).*

### 13.1.4 Shares held by the Board of Directors

As at the Effective Date, the members of the Board of Directors have the following shareholding in the Company:

<b>Name</b>	<b>Position</b>	<b>No. of Shares</b>	<b>No. of Options</b>
Birgitte R. Vartdal .....	Director	-	-
Eugene I. Davis .....	Director	-	-
Harald Thorstein .....	Director	-	-
John Fredriksen .....	Director	30,857,046 <sup>1</sup>	-
Kjell-Erik Østdahl .....	Director	-	-
Peter J. Sharpe .....	Director	-	-
Scott D. Vogel .....	Director	-	-

<sup>1</sup> The shares beneficially held by Hemen are indirectly held in trusts established by Mr. John Fredriksen for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the shares held by Hemen, except to the extent of his voting and dispositive interest in such common shares. Mr. Fredriksen has no pecuniary interest in the shares held by Hemen. The address of Hemen is c/o Seatankers Management Co. Ltd., P.O. Box 53562, CY-3399 Limassol, Cyprus.

## 13.2 Management

### 13.2.1 Overview

The Group's key employees within the Group's affiliates who are responsible for overseeing the management of the Group's business consists of four individuals ("**Management**"). The Board of Directors has organized the provision of management services through Seadrill Management Ltd. ("**Seadrill Management**"), being one of Group's subsidiaries incorporated in the United Kingdom. The Board of Directors has defined the scope and terms of the services to be provided by Seadrill Management. The Board of Directors must be consulted on all matters of material importance and/or of an unusual nature and, for such matters, will provide specific authorization to personnel in Seadrill Management to act on its behalf.

The names of the members of Management as of the date of this Prospectus, and their respective positions, are presented in the table below:

<b>Name</b>	<b>Current position within the Group</b>	<b>Employed with the Group since</b>
Anton Dibowitz .....	Chief Executive Officer	April 2007
Mark Morris .....	Chief Financial and Senior Vice President	September 2015
Leif Nelson .....	Chief Operating Officer and Senior Vice President	June 2015
Chris Edwards .....	General Counsel and Senior Vice President	February 2015

Seadrill Management's registered office address at Chiswick Business Park, Building 11, 2nd Floor, 566 Chiswick High Road, London W4 5YS, United Kingdom serves as the business address for the members of the management team.

### 13.2.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of Management, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Management is or has been a member of the administrative, management or supervisory bodies or partner in the previous five years (not including directorships and management positions in subsidiaries of the Company).

#### Anton Dibowitz — Chief Executive Officer

Anton Dibowitz serves at the Chief Executive Officer of Seadrill Management and as the Company's Principal Executive Officer. Mr. Dibowitz was appointed Chief Executive Officer of the Group in July 2017. Prior to this Mr. Dibowitz served as Executive Vice President of Seadrill Management since June 2016, and as Chief Commercial Officer since January 2013. He has over 20 years drilling industry experience most recently serving as Vice President of Marketing and prior to that as Commercial Director, Deepwater Western Hemisphere Division. Prior to joining Seadrill, Mr. Dibowitz held various positions within tax, process reengineering and marketing at Transocean Ltd. and Ernst & Young LLP. He is a Certified Public Accountant and a graduate of the University of Texas at Austin where he received a Bachelor's degree in Business Administration, and Master's degrees in Professional Accounting (MPA) and Business Administration (MBA).



*Current directorships and management positions:* ..... Seadrill Limited (formerly New SDRL Limited) (chief executive officer), Seadrill Limited (Old Seadrill) (chief executive officer), Seabras Sapura Holding GmbH (director), Seabras Sapura Participacoes S.A. (director), and Seadrill Management Limited (president and chief executive officer).

*Previous directorships and management positions in the last five years:* ..... Seadrill Management Limited (chief commercial officer, EVP, and SVP).

### **Mark Morris — Chief Financial and Accounting Officer and Senior Vice President**

Mark Morris serves as the Chief Financial Officer of Seadrill Management and as the Group's Principal Financial Officer and Principal Accounting Officer. Mr. Morris was appointed as the Group's Chief Financial Officer in September 2015. Mr. Morris was most recently the chief financial officer for Rolls-Royce Group plc and held several roles in his 28 years with the company. During his career at Rolls Royce, amongst other roles, Mr. Morris served as group treasurer and managing director of Rolls-Royce Capital and as treasurer of International Aero Engines, a Rolls-Royce Joint Venture. Mr. Morris has served as Seadrill Partners Chief Executive Officer since September 2015.

*Current directorships and management positions:* ..... Seadrill Limited (formerly New SDRL Limited) (chief financial officer), Seadrill Limited (Old Seadrill) (chief financial officer), Seadrill Partners LLC (chief executive officer), Seadrill Management Ltd. (director), Seadrill Insurance Ltd. (director), Seadrill Treasury UK Limited (director), and Sea Dragon de Mexico S de R.L. de CV (director).

*Previous directorships and management positions in the last five years:* ..... Rolls-Royce Group plc (director and chief financial officer), Rolls-Royce Leasing Limited (director), Rolls-Royce Total Care Services Limited (director) and Alpha Partners Leasing Limited (director).

### **Leif Nelson — Chief Operating Officer and Senior Vice President**

Leif Nelson has served as Seadrill Management's Chief Operating Officer since July 2015. He has over 18 years' experience in the drilling industry most recently as the Group's Vice President Operations Performance. Prior to joining Seadrill, Mr. Nelson held various operational positions for Transocean Ltd. Mr. Nelson is a graduate of the Colorado School of Mines and holds a BSc in Petroleum Engineering. Mr. Nelson also sits on the board of the Well Control Institute.

*Current directorships and management positions:* ..... International Association of Drilling Contractors (director), Well Control Institute, Desert Sky Hops LLC (owner and director) and Bridges Switch Farm LLC (owner and director).

*Previous directorships and management positions in the last five years:* ..... -

### **Chris Edwards — General Counsel and Senior Vice President**

Chris Edwards has served as Seadrill Management's General Counsel since February 2015 and was appointed Senior Vice President in June 2016. He has over 20 years of in-house legal experience in the natural resources sector, including most recently serving as General Counsel Corporate and General Counsel of the Aluminium Division at BHP Billiton. Prior to working in-house, he trained and worked at Linklaters LLP in its London and Hong Kong offices.

*Current directorships and management positions:* ..... Seadrill Limited (formerly New SDRL Limited) (general counsel), Seadrill Limited (Old Seadrill) (general counsel), and Seadrill Management Ltd. (general counsel and SVP).

*Previous directorships and management positions in the last five years:* ..... BHP Billiton (general counsel corporate).

### 13.2.3 Shares held by Management

As at the date of this Prospectus, the members of Management have the following shareholding in the Company:

<b>Name</b>	<b>Position</b>	<b>No. of Shares</b>	<b>No. of Options</b>
Anton Dibowitz .....	Chief Executive Officer	-	-
Mark Morris .....	Chief Financial and Senior Vice President	-	-
Leif Nelson .....	Chief Operating Officer and Senior Vice President	-	-
Chris Edwards .....	General Counsel and Senior Vice President	-	-

### 13.3 Remuneration to Old Seadrill's board of directors and executive officers

During the year ended 31 December 2017, Old Seadrill paid the members its board of directors and executive management an aggregate compensation of USD 8 million, including compensation in the form of options exercised.

In addition to cash compensation, during the year ended 31 December 2017, the Group also recognized an expense of USD 1 million relating to stock options and restricted units granted to certain members of Old Seadrill's board of directors and executive officers.

### 13.4 Benefits upon termination

The Chief Executive Officers, Chief Financial and Accounting Officer and General Counsel and Senior Vice President have termination related payment clauses in their contracts. These relate to terminations in the context of a "Change of Control Event" or terminations agreed due to "Good Reason" other than "Cause". "Cause" is defined as one of the following: Gross misconduct; Serious breach of Contract; UK criminal offence; Fraud & corrupt practices relating to the Bribery Act 2010 and ineligibility to work legally in the UK. All of the above contracts are signed by the current incumbents. Other than the listed termination related payment clauses, no employee, including member of Management, has entered into employment agreements which provide for any special benefits upon termination of employment.

The Directors are entitled to one months' salary upon termination of their service.

### 13.5 Pension and retirement benefits

The Company's subsidiary NADL has several defined benefit pension plans covering substantially all Norwegian employees. All of the plans are administered by a life insurance company. For onshore employees in Norway, who are participants in the defined benefit plans, the primary benefits are a retirement pension of approximately 66% of salary at retirement age of 67 years, together with long-term disability pension. The retirement pension per employee is capped at an annual payment of 66% of the total 12 times the Norwegian Social Security Base. Offshore employees in Norway have a retirement and long-term disability pension of approximately 60% of salary at retirement age of 67. The accumulated benefit obligation for all defined benefit pension plans was USD 33 million for the year ended 31 December 2017.

The table below shows the Group's expected annual pension plans contributions under the defined benefit plans for the years ending 31 December 2018-2027. The expected payments are based on the assumptions used to measure the Group's obligations as at 31 December 2017 and include estimated future employee services.

*In USD millions*

Year ended 31 December	
2018 .....	3
2019 .....	3
2020 .....	3
2021 .....	3
2022 .....	3
2023-2027 .....	15
<b>Total payments during the next 10 years .....</b>	<b>30</b>

The Group made contributions to personal defined contribution pension and other plans in the amount of USD 17 million for the year ended 31 December 2017. For the year ended 31 December 2017, the Group incurred a compensation expense in the aggregate of USD 0.4 million for pension and retirement benefits to members of Old Seadrill's board of directors and executive management.

### 13.6 Loans and guarantees

The Company has not granted any loans, guarantees or other commitments to any of its Directors or to any member of Management.

### 13.7 Board committees

#### 13.7.1 Audit committee

The Board of Directors has established an audit committee among the members of the Board of Directors. The audit committee comprises Eugene I. Davis (chairman), Scott Vogel (committee member) and Birgitte R. Vartdal (committee member). The audit committee is responsible for overseeing the quality and integrity of the Company's consolidated financial statements and its accounting, auditing and financial reporting practices; the Group's compliance with legal and regulatory requirements; the independent auditor's qualifications, independence and performance; and the Group's internal audit function

#### 13.7.2 Compensation committee

The Board of Directors has established a compensation committee among the members of the Board of Directors. The compensation committee comprises Peter J. Sharpe (chairman), Eugene I. Davis (committee member) and Harald Thorstein (committee member). The compensation committee is responsible for establishing and reviewing the executive officer's and senior management's compensation and benefits.

#### 13.7.3 Conflicts committee

The Board of Directors has established a conflicts committee among the members of the Board of Directors. The conflicts committee comprises Scott Vogel (chairman) Peter Sharpe (committee member), Eugene I. Davis (committee member) and Kjell-Erik Østdahl (committee member). The primary purpose of the conflicts committee is to monitor and make recommendations to the board in relation to potential conflicts of interest between the Company and any of its affiliates or related third parties. The committee will also evaluate any conflicts of interest between a director and the Company.

### 13.8 Conflicts of interests etc.

Besides the members of the Board of Directors and Management who were involved in the Chapter 11 Proceedings, none of the members of the Board of Directors or Management has during the last five years preceding the date of this Prospectus:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his/her capacity as a founder, director or senior manager of a company or partner of a limited partnership.

To the Company's knowledge, there are at the date of this Prospectus no actual or potential conflicts of interest between the private interests or other duties of any of the members of the Management and the Board of Directors and their duties towards the Company, including any family relationships between such persons, other than John Fredriksen's and Harald Thorstein's relationship with the Group's largest shareholder (Hemen). For more information on the election of Directors by Hemen, Centerbridge and the Select Commitment Parties, reference is made to Section 15.14.2.2 "Election and removal of Directors".

### 13.9 Corporate governance

The NYSE (where the Company has its primary listing) requires that a listed U.S. company adopt and disclose corporate governance guidelines. Pursuant to an exception under the NYSE listing standards available to foreign private issuers, the Company is not required to comply with all of the corporate governance practices followed by U.S. companies under the NYSE listing standards. Set out below is a list of the significant differences between the Company's corporate governance practices and the NYSE standards applicable to listed U.S. companies.

- **Independence of Directors.** The NYSE requires that a U.S. listed company maintain a majority of independent directors. Under Bermuda law and the Company's Bye-laws, the Company is not required to have a board of directors comprised of a majority of directors meeting the independence standards described in NYSE rules. However, the Company currently has a majority of independent directors, with five of the seven members of its Board of Directors being independent under the NYSE's standards for independence applicable to a foreign private issuer.
- **Executive Sessions.** The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. Historically, Old Seadrill's non-management directors regularly held executive sessions without management and the Company expects that its new Board of Directors will do so in the future.
- **Nominating/Corporate Governance Committee.** The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Bermuda law and the Company's bye-laws, it does not currently have a nominating or corporate governance committee.
- **Corporate Governance Guidelines.** The NYSE requires that a listed U.S. company adopts and discloses corporate governance guidelines. The guidelines must address, among other things, director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. The Company is not required to adopt such guidelines under Bermuda law, however the Company's Bye-laws include certain matters concerning corporate governance.

## 14 RELATED PARTY TRANSACTIONS

### 14.1 Introduction

Below is information on the Group's related party transactions for the periods covered by the historical financial information and up to the date of this Prospectus. All related party transactions have been concluded at arm's length principles.

The Group's related party revenues relate to management support and administrative services. The Group's total revenues for the year ended 31 December 2017 was USD 2,088 million, of which USD 110 million were from related party transactions. Accordingly, revenues from related party transactions constituted 5.27% of the Group's total revenues for the fiscal year 2017. For the year ended 31 December 2016, the Group's total revenues amounted to USD 3,169 million, of which USD 100 million were from related party transactions. Accordingly, revenues from related party transactions constituted 3.16% of the Group's total revenues for the fiscal year 2016. For the year ended 31 December 2015 the Group's total revenues amounted to USD 4,335 million, of which USD 119 million were from related party transactions. Accordingly, revenues from related party transactions constituted 2.75% of the Group's total revenues for the fiscal year 2015.

The Group's significant related parties are the following entities:

- Transactions with investees and associates, over which the Old Seadrill (and after the Effective Date Seadrill) has significant influence:
  - Seadrill Partners;
  - SeaMex; and
  - Seabras Sapura
- Transactions with those holding significant influence over the Old Seadrill (and after the Effective Date Seadrill):
  - Hemen and affiliated companies.

### 14.2 Transactions carried out with related parties in the years ended 31 December 2017, 2016 and 2015

#### 14.2.1 Seadrill Partners

As at 2 January 2014, the date of deconsolidation, Seadrill Partners was considered to be a related party and not a controlled subsidiary of Old Seadrill.

The net income/(expense) with Seadrill Partners for the years ended 31 December 2017, 2016 and 2015 were as follows from the table below.

*In USD millions*

	Year ended 31 December		
	2017	2016	2015
Management fees charged to Seadrill Partners – Other revenues (a) and (b) .....	75	65	75
Rig operating expenses charged to Seadrill Partners – Other revenues (c).....	23	25	29
Contingent consideration.....	27	21	47
Insurance premiums charged to Seadrill Partners.....	11	16	20
Rig operating costs charged by Seadrill Partners (d) .....	(5)	(11)	(13)
Bareboat charter arrangements (f) .....	3	10	(2)
Intercompany purchases .....	(2)	(1)	-
Interest expenses charged to Seadrill Partners (g).....	6	12	16
Interest recognized on deferred consideration receivable.....	5	5	8
Derivatives recharged to Seadrill Partners (h).....	1	4	10
<b>Net related party income from Seadrill Partners.....</b>	<b>144</b>	<b>146</b>	<b>190</b>

Receivables/(payables) with Seadrill Partners and its subsidiaries as at 31 December 2017, 2016 and 2015 consisted of the balances as follows from the table below.

In USD millions

	Year ended 31 December		
	2017	2016	2015
Rig financing agreements with Loan Agreements (i) .....	25	160	197
\$109.5 million Vendor financing loan (j) .....	-	-	110
Deferred consideration receivable (k) .....	52	61	96
Other receivables (l) .....	157	189	355
Other payables (l) .....	(24)	(80)	(179)

The following sets out a summary of the related party agreements with Seadrill Partners:

- a) Management and administrative service agreements: Certain subsidiaries of Seadrill Partners are in a management and administrative services agreement with Seadrill Management, pursuant to which Seadrill Management provides to Seadrill Partners certain management and administrative services. The services provided by Seadrill Management are charged at cost plus management fee to be agreed upon from time to time by the parties. In April 2016, the agreement was extended for an indefinite term and can be terminated providing 90 days written notice. During the twelve months ended 31 December 2017, the management fee has ranged from 4.85% to 8% of costs and expenses incurred in connection with providing these services.
- b) Technical and administrative service agreement: Certain subsidiaries of Seadrill Partners entered into advisory, technical and/or administrative services agreements with the Group. The services provided by the Group are charged at cost plus service fee equal to approximately 5% of costs and expenses incurred in connection with providing these services. Income recognized under the aforementioned agreements (a) and (b) for the year ended 31 December 2017 was USD 75 million, compared to USD 65 million for the year ended 31 December 2016 and USD 75 million for the year ended 31 December 2015.
- c) Rig operating costs charged to Seadrill Partners: The Group has charged to Seadrill Partners certain rig operating costs in relation to costs incurred on behalf of the West Polaris operating in Angola in 2017, 2016 and 2015 and the West Vencedor which operated in Angola in 2015. The total other revenues earned for the year ended 31 December 2017 was USD 23 million, compared to USD 25 million for the year ended 31 December 2016 and USD 29 million for the year ended 31 December 2015.
- d) Insurance premiums: Insurance coverage for the Group's drilling units is negotiated on a centralized basis. The total insurance premiums related to Seadrill Partners' drilling units recharged to Seadrill Partners were USD 10.5 million for the year ended 31 December 2017, compared to USD 16 million for the year ended 31 December 2016 and USD 20 million for the year ended 31 December 2015.
- e) Rig operating costs charged by Seadrill Partners: Seadrill Partners has charged to the Group, through its Nigerian service company, certain services, including the provision of onshore and offshore personnel, which was provided for the West Jupiter and West Saturn drilling rigs operating in Nigeria. The total rig operating expenses incurred for the year ended 31 December 2017 was USD 5 million, compared to USD 11 million for the year ended 31 December 2016 and USD 13 million for the year ended 31 December 2015.
- f) Bareboat charter arrangements: In connection with the transfer of the West Aquarius operations to Canada, the West Aquarius drilling contract was assigned to Seadrill Canada Ltd., a wholly owned subsidiary of Seadrill Partners, necessitating certain changes to the related party contractual arrangements relating to the West Aquarius. Seadrill China Operations Ltd, the owner of the West Aquarius and a wholly-owned subsidiary of Seadrill Partners, had previously entered into a bareboat charter arrangement with Seadrill Offshore AS, a wholly-owned subsidiary of Old Seadrill, providing Seadrill Offshore AS with the right to use the West Aquarius. In October 2012, this bareboat charter arrangement was replaced with a new bareboat charter between Seadrill China Operations Ltd and Seadrill Offshore AS, and at the same time, Seadrill Offshore AS entered into a bareboat charter arrangement providing Seadrill Canada Ltd. with the right to use the West Aquarius in order to perform its obligations under the drilling contract described above. For the year ended 31 December 2017 the net effect to the Group of the bareboat charters was an expense of USD 3 million, compared to USD 10 million for the year ended 31 December 2016 and USD 2 million for the year ended 31 December 2015. The contract was terminated effective on 19 April 2017 on completion of the rig's contract with Hibernia Management.

- g) Interest expenses and loss on derivatives: The total interest charged to Seadrill Partners for the loan arrangements, including commitment fees and other fees, was USD 6 million for the year ended 31 December 2017, compared to USD 12 million for the year ended 31 December 2016 and USD 16 million for the year ended 31 December 2015. Reference is made to the sections below for details on the financing arrangements.
- h) Derivative interest rate swap agreements: Old Seadrill previously held interest rate swap agreements with Seadrill Partners on a back to back basis with certain of its own interest rate swap agreements. On commencement of the Chapter 11 Proceedings the derivative position held by Old Seadrill was cancelled and held at the claimed value by the derivative counterparty. This resulted in no further recharged gains or losses on derivatives after 12 September 2017. The total net derivative gains and losses charged to Seadrill Partners for the year ended 31 December 2017 was USD 1 million, compared to USD 1 million for the year ending 31 December 2016 and USD 10 million for the year ended 31 December 2015.
- i) Rig financing agreements: West Vencedor Facility - In June 2014 the Group repaid the underlying USD 1,200 million senior secured loan relating to the West Vencedor, and as a result the West Vencedor Loan Agreement between the Group and Seadrill Partners was amended to carry on the existing loan on the same terms. The West Vencedor Loan Agreement between the Group and Seadrill Partners was scheduled to mature in June 2015 and all outstanding amounts thereunder would be due and payable, including a balloon payment of USD 70 million. On 14 April 2015 the Loan Agreement was amended and the maturity date was extended to 25 June 2018. The West Vencedor Loan Agreement bears a margin of 2.25%, a guarantee fee of 1.4% and a balloon payment of USD 21 million due at maturity in June 2018. The total amount owed by Seadrill Partners to the Group under the remaining West Vencedor Loan agreement as at 31 December 2017 was USD 25 million, compared to USD 41 million as at 31 December 2016 and USD 58 million as at 31 December 2015.

T-15 / T-16 Facility - The total amounts owed under the Rig Financing Agreement relating to the T-15 and T-16 were amended in August 2017 so that the facility is held in Seadrill Partners therefore removing the back-to-back agreement with the Group. As a result, the total amount outstanding at 31 December 2017 was nil, compared to USD 119 million as at 31 December 2016 and USD 139 million as at 31 December 2015.

West Vela facility - Under the terms of the USD 1,450 million secured credit facility agreement, certain subsidiaries within the Group and Seadrill Partners relating to the West Vela and West Tellus, were jointly and severally liable for their own debt and obligations under the facility and the debt and obligations of other borrowers who are also party to such agreement. In August 2017, Seadrill Partners completed amendments to the facility to insulate itself from events of default related to Old Seadrill's potential use of Chapter 11 proceedings to implement Old Seadrill's restructuring plan. The amendments removed Old Seadrill as a guarantor for this facility.

West Polaris facility - In June 2015, Old Seadrill completed the sale of the entities that owned and operated the West Polaris (the "**Polaris business**") to Seadrill Operating LP ("**Seadrill Operating**", a consolidated subsidiary of Seadrill Partners and 43% owned by Old Seadrill), as further described below. One of the entities sold was the sole borrower under USD 420 million senior secured credit facility. Prior to August 2017, Old Seadrill acted as a guarantor under the facility. In August 2017, Seadrill Partners completed amendments to the facility to insulate itself from events of default related to Old Seadrill's potential use of Chapter 11 proceedings to implement the restructuring plan. The amendments removed Old Seadrill as a guarantor for this facility.

The purchase price for the Polaris business consisted of an initial enterprise value of USD 540 million, less debt assumed USD 336 million. The fair value of consideration recognized on disposal was USD 235 million, which comprised of USD 204 million of cash consideration, and a working capital adjustment of USD 31 million, due to the net working capital of the Polaris business being greater than the required working capital prescribed in the sale and purchase agreement. Additional contingent consideration in the form of a seller's credit of USD 50 million is also potentially due from Seadrill Partners in 2021, which will carry an interest at a rate of 6.5% per annum. The repayment of the seller's credit is contingent on the future re-contracted dayrate. During a three-year period following completion of the current customer contract, the final amount payable will be adjusted downwards to the extent the average re-contracted operating dayrate (net of commissions), adjusted for utilization, over the period, is less than USD 450 thousand per day. If the rig is off contract during this period, the reduction is equal to USD 450 thousand per day.

In addition, the Group may be entitled to receive further contingent consideration from Seadrill Partners, consisting of (a) any dayrates earned by Seadrill Partners in excess of USD 450 thousand per day, adjusted for daily utilization, tax and agency commission for the remainder of the ExxonMobil contract completed in February 2018 and (b) 50% of any dayrate earned above USD 450 thousand per day, adjusted for daily utilization, tax and agency commission fee after the conclusion of the existing contract until 2025. In February 2016, the drilling contract with ExxonMobil was amended such that the dayrate for the West Polaris was reduced from USD 653 thousand per day to USD 490 thousand per day, effective 1 January 2016.

The Group's accounting policy is not to recognize contingent consideration before it is considered realizable and has therefore not recognized on disposal any amounts receivable relating to the elements of consideration which are contingent on future events. From the disposal date of the West Polaris on 19 June 2015 to 31 December 2015, the Group has recognized USD 32 million in contingent consideration, as it became realized, within "Contingent consideration realized" included within "Operating income". In the years ended 31 December 2017 and 2016, the Group recognized an additional USD 13 million and USD 8 million, respectively, in contingent consideration. The loss recognized at the time of disposal of the Polaris business was USD 77 million, after taking into account a goodwill allocation of USD 41 million.

- j) USD 109.5 million Vendor financing loan: In May 2013, Seadrill Partners borrowed USD 109.5 million from Old Seadrill as vendor financing to fund the acquisition of the T-15. The loan bore interest at a rate of LIBOR plus a margin of 5% and matured in May 2016.
- k) Deferred consideration receivable: On the disposal of the West Vela and West Polaris to Seadrill Partners, the Group recognized deferred consideration receivables. Reference is made to the sections below for more information.

West Polaris Disposal: On June 19, 2015, Old Seadrill sold the entities that owned and operated the Polaris business, to Seadrill Operating. The entities continue to be related parties subsequent to the sale. In August 2017, Seadrill Partners completed amendments to the facility to insulate itself from events of default related to Old Seadrill's potential use of Chapter 11 proceedings to implement its restructuring plan. The amendments remove Old Seadrill as a guarantor for this facility. Reference is made to Section 14.2.1 i) above for more information on the Polaris business disposal.

- l) Receivables and payables: Receivables and payables with Seadrill Partners and its subsidiaries are comprised of management fees, advisory and administrative services, and other items including accrued interest. In addition, certain receivables and payables arise when Old Seadrill pays an invoice on behalf of Seadrill Partners or its subsidiaries and vice versa. Receivables and payables are generally settled quarterly in arrears. Trading balances to Seadrill Partners and its subsidiaries are unsecured and are intended to be settled in the ordinary course of business.
- m) West Sirius bareboat charter financing loan: In December 2015, an operating subsidiary of Seadrill Partners borrowed from Old Seadrill USD 143 million in order to provide sufficient immediate liquidity to meet the terms of its bareboat charter termination payment in connection with the West Sirius contract termination. The loan bears interest at a rate of LIBOR plus 0.56% and matured in July 2017. The loan was repaid in full during the year ended 31 December 2017, compared to USD 39 million for the year ended 31 December 2016 and USD 143 million for the year ended 31 December 2015.

Concurrently, Old Seadrill borrowed USD 143 million from a rig owning subsidiary of Seadrill Partners in order to restore its liquidity with respect to the West Sirius bareboat charter financing loan referred to above. The loan bore interest at a rate of LIBOR plus 0.56% and matured in July 2017. The loan was repaid in full during the year ended 31 December 2017, compared to an outstanding amount of USD 39 million for the year ended 31 December 2016 and USD 143 million for the year ended 31 December 2015. Each of the loan parties understand and agree that the loan agreements act in parallel with each other. These transactions have been classified within current and non-current portions of "Amount due from related parties", "Amounts due to related parties" and "Long-term debt due to related parties".

- n) West Sirius Spare parts agreement: During the year ended 31 December 2015, the Group entered into an agreement with Seadrill Partners to store spare parts of Seadrill Partners' West Sirius rig while it is stacked. The



Group is responsible at its own cost for the moving and storing of the spare parts during the stacking period. The Group may use the spare parts of the West Sirius rig during the stacking period, but must replace them as required by Seadrill Partners at its own cost.

o) Guarantees: Old Seadrill provides certain guarantees on behalf of Seadrill Partners.

- Guarantees in favor of customers, which guarantee the performance of Seadrill Partners' drilling units, totaled USD 165 million as at 31 December 2017, compared to USD 185 million as at 31 December 2016 and USD 370 million as at 31 December 2015.
- Guarantees in favor of banks provided on behalf of Seadrill Partners totaled nil as at 31 December 2017, after Seadrill Partners insulated itself from the Group in August 2017. As at 31 December 2016 the guarantees totaled at USD 621 million and USD 698 million as at 31 December 2015.
- Guarantees in favor of suppliers provided on behalf of Seadrill Partners, relating to custom guarantees in Nigeria, totaled USD 0.6 million as at 31 December 2017, compared to USD 0.4 million as at 31 December 2016 and USD 86 million as at 31 December 2015.

#### 14.2.2 Related parties to Hemen Holding Limited (Hemen)

Since Old Seadrill's formation, the largest shareholder has been Hemen, which held approximately 23.6% of shares in Old Seadrill as at 31 December 2017. The Group transacts business with the following related parties, being companies in which Hemen has a significant interest:

- Ship Finance International Limited (also referred to as Ship Finance and "**SFL**");
- Metrogas Holding Inc. ("**Metrogas**");
- Archer Limited ("**Archer**");
- Frontline Management (Bermuda) Limited ("**Frontline**");
- Seatankers Management Norway AS ("**Seatankers**"); and
- Northern Drilling Limited ("**Northern Drilling**").

#### 14.2.3 Commitments towards related parties

##### 14.2.3.1 Ship Finance Transactions

The Group has entered into sale and lease back contracts for several drilling units, with subsidiaries of Ship Finance. The Group has determined that the Ship Finance subsidiaries, which own the units, are variable interest entities (VIEs), and that the Group is the primary beneficiary of the risks and rewards connected with the ownership of the units and the charter contracts. Accordingly, these VIEs are fully consolidated in the Financial Statements.

The units that are leased back from Ship Finance are the West Taurus, West Hercules, and West Linus. The West Polaris was previously leased back from Ship Finance, but was repurchased in 2014, before subsequently being sold to Seadrill Partners.

The table below sets out a summary of the sale and leaseback agreements and repurchase options from VIEs as at 31 December 2017:

Unit	Effective from	First repurchase option	Month of first repurchase option	Last repurchase option <sup>(1)</sup>	Month of last repurchase option <sup>(1)</sup>
West Taurus .....	Nov 2008	USD 418 million	Feb 2015	USD 149 million	Nov 2023
West Hercules .....	Oct 2008	USD 580 million	Aug 2011	USD 135 million	Aug 2023
West Linus .....	June 2013	USD 370 million	Jun 2018	USD 170 million	Jun 2028

(1) Ship Finance has a right to require the Group to purchase the West Linus rig on the 15th anniversary for the price of USD 100 million if the Group does not exercise the final repurchase option.

During the years ended 31 December 2017, 2016 and 2015, the Group incurred the following lease costs on units leased from the Ship Finance subsidiaries. These lease costs are eliminated on consolidation.

*In USD millions*

	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
West Hercules .....	56	57	55
West Taurus .....	51	52	57
West Linus .....	83	82	81
<b>Total</b> .....	<b>190</b>	<b>191</b>	<b>193</b>

On 28 June 2013, NADL sold the entity that owns the newbuild jack-up, West Linus, to the Ship Finance subsidiary SFL Linus Ltd. The purchase consideration for this reflected the market value of the rig as at the delivery date which was USD 600 million. This rig was simultaneously chartered back over a period of 15 years to NADL. Upon closing, SFL Linus Ltd received a USD 195 million loan from Ship Finance which bears an interest of 4.5% per annum and matures in 2029. During 2014 the loan was reduced to USD 125 million, and is reported as long-term debt due to related parties in the consolidated balance sheet as at 31 December 2017.

As at 31 December 2017 the VIEs had gross and net loans outstanding to Ship Finance amounting USD 314 million, following a loan principal prepayment of USD 101 million. As at 31 December 2016 the VIEs had gross loans of USD 415 million and net loans of USD 330 million due to the fact that the right of offset is established in the long-term loan agreements, and the balances are intended to be settled on a net basis. The net related party loans are disclosed as "Long-term debt due to related parties" on the consolidated balance sheets. The loans bear interest at a fixed rate of 4.5% per annum. The total interest expense of the loans for 2017 was USD 15 million, compared to USD 19 million for 2016 and USD 19 million for 2015.

#### 14.2.3.2 Frontline Management transactions

Frontline provides company secretarial support and administrative services for the Group, and charged USD 3 million, USD 3 million and USD 4 million for these services in the years ended 31 December 2017, 2016 and 2015, respectively. These amounts are included in "General and administrative expenses".

#### 14.2.3.3 Seatankers Management transactions

The Group receives services from Seatankers Management Norway AS, an affiliate of Hemen. The fee was USD 2 million, USD 2 million, and USD 1 million for the years ended 31 December 2017, 2016 and 2015, respectively.

#### 14.2.3.4 Northern Drilling transactions

In May 2017, the Group entered into a management agreement with Northern Drilling to supervise the construction and maintenance of the West Mira, including maintenance of the drilling package for a fixed fee of USD 7 thousand per day. This agreement also gives the Group the right of first offer in the event of a proposed sale of the rig by Northern Drilling from 30 April 2018 for the duration of the agreement.

In May 2018, the Group entered into a management agreement with Northern Drilling to supervise the construction and maintenance of a semi-submersible unit, including maintenance of the drilling package for a fixed fee of USD 7 thousand per day. This agreement also gives the Group the right of first offer in the event of a proposed sale of the rig by Northern Drilling from 27 December 2018 for the duration of the agreement.

#### 14.2.4 Other related parties

##### 14.2.4.1 Archer transactions

From time to time, Old Seadrill (and as of the Effective Date Seadrill) entered into transactions with Archer, a former consolidated subsidiary of Old Seadrill and current associate investment, related to Archer's working capital requirements and debt restructuring. Old Seadrill has provided a range of support for Archer including loans, guarantees and capital injections, in order to support the best interests of Archer and the Group.

Set out below is an overview of the transactions that Old Seadrill had with Archer for the years ended 31 December 2017, 2016, and 2015.

#### *Loan agreements*

On March 6, 2015, Old Seadrill purchased a USD 50 million subordinated loan made by Metrogas, a related party, to Archer. The aggregate consideration paid for the loan by Old Seadrill to Metrogas was USD 51 million which is equal to the sum of the outstanding principal amount of USD 50 million and USD 1 million accrued commitment fee and

interest on the loan. The loan bore interest of 7.5% per annum and has a commitment fee of 1% on any undrawn amount. As at the date of Old Seadrill's purchase there was no undrawn amount. Interest and any commitment fee is due upon maturity of the loan which originally was on 30 June 2018.

In the year ended 31 December 2015, the USD 50 million subordinated loan to Archer was written down to nil due to Old Seadrill's share of net losses of Archer reducing the investment balance. The accounting policy, once Old Seadrill's investment in the common stock of an investee has reached nil, is to apply the equity method to other investments in the investees securities, loans and or advances based on seniority and liquidity. Old Seadrill's share of equity method losses or gains is determined based on the change in its claim on net assets of the investee. Archer's net losses and other comprehensive income were therefore applied to the loan to Archer at Old Seadrill's invested ownership of 39.89%.

On 27 May 2016, Old Seadrill granted a USD 75 million subordinated loan to Archer. The loan bore interest at a rate of 10.0% per annum and is repayable together with the interest which originally was on 30 June 2018.

Between 27 May 2016 and 25 April 2017, the USD 75 million loan was written down by USD 58 million due to Old Seadrill's share of net losses of Archer reducing the investment balance. The Group's accounting policy, once the investment in the common stock of an investee has reached nil is to apply the equity method to other investments in the investees securities, loans and or advances based on seniority and liquidity. The Group's share and equity method losses or gains are determined based on the change in the Group's claim on net assets of the investee. Archer's net losses and other comprehensive income were therefore applied to the Group's loan to Archer at its invested ownership of 39.72% for 2016 and an average position of 31.89% to 25 April 2017.

On 25 April 2017, Old Seadrill agreed with Archer to convert the total outstanding subordinated loans, fees and interest provided to Archer, carrying value of USD 37 million, into a USD 45 million subordinated convertible loan. The subordinated convertible loan bears interest of 5.5%, matures in December 2021 and includes an option to convert into equity of Archer Limited in 2021 based on a strike price of USD 2.083 per share. The strike price is approximately 75% above the subscription price in Archer's private placement on 2 March 2017. As the new instrument is a convertible debt instrument, the instrument is bifurcated and subsequently recognized at fair value.

The total net interest income on the USD 50 million and USD 75 million loans relating to Archer for the year ended 31 December 2017 was USD 3 million, compared to USD 8 million for the year ended 31 December 2016 and USD 3 million for the year ended 31 December 2015. The convertible debt instrument made a fair value gain on straight debt component of USD 1 million and a fair value loss on conversion option of USD 4 million for the year ended 31 December 2017.

#### *Guarantees*

On 7 March 2013, Old Seadrill provided a guarantee to Archer on its payment obligations on certain financing arrangements. The maximum liability to Old Seadrill is limited to USD 100 million. The guarantee fee is 1.25% per annum. On 31 July 2013, Old Seadrill provided Archer with an additional guarantee of USD 100 million, which was provided as part of Archer's divestiture of a division, to support Archer's existing bank facilities. During 2014, the guarantees above were increased to a total of USD 250 million. In April 2017, the guarantees were settled for USD 25 million, reducing the guarantee balance to nil at 31 December 2017. The outstanding guarantee balance at 31 December 2016 and 31 December 2015 was USD 250 million. The guarantee fee was 1.25% per annum.

On 9 December 2013, Old Seadrill provided Archer Topaz Limited, a wholly owned subsidiary of Archer, with a guarantee of a maximum of EUR 48.4 million, which was EUR 48.4 million in 2016 and 2015, to support Archer's credit facilities. The guarantee fee is 1.25% per annum. The guarantee was settled for USD 2.5 million in April 2017, reducing the guarantee balance to nil as at 31 December 2017. The outstanding guarantee balance at 31 December 2016 and 31 December 2015 was USD 25 million and USD 36 million, respectively.

On 5 February 2014, Old Seadrill provided Archer with a guarantee of a maximum of GBP 10 million, to support Archer's leasing obligations of a warehouse for a period of 10 years. The guarantee outstanding as at 31 December 2017 was USD 10 million, compared to USD 10 million as at 31 December 2016 and USD 14 million as at 31 December 2015.

On 14 July 2014, Old Seadrill provided Archer Norge AS, a wholly owned subsidiary of Archer, with a guarantee of a maximum of USD 20 million, to support Archer's bank guarantee facility. The guarantee fee is 1.25% per annum. The guarantee was settled for USD 0.3 million in April 2017, reducing the guarantee to nil as at 31 December 2017. The outstanding guarantee balance at 31 December 2016 and 31 December 2015 was USD 3 million and USD 18 million, respectively.

Old Seadrill provides Archer Well Services, a wholly owned subsidiary of Archer, with a performance guarantee of a maximum of NOK 66.0 million, or USD 8.0 million, to support Archer's operations in Norway with a customer.

The total guarantee fees charged to Archer for the year ended 31 December 2017 was USD 0.8 million, compared to USD 3.9 million for the year ended 31 December 2016 and USD 3.6 million for the year ended 31 December 2015, respectively. These guarantee fees are included in "Other financial items and other income/(expense)" within the consolidated statement of operations.

#### 14.2.4.2 Engineering services

Archer provides certain engineering services to the Group, and charged the Group fees of USD 0.1 million for the year ended 31 December 2017, USD 1.0 million for the year ended 31 December 2016 and USD 4.0 million for the year ended 31 December 2015. These amounts are included in "Vessel and rig operating expenses" within the consolidated statement of operations.

#### 14.2.5 *SeaMex Limited*

As at 10 March 2015, the date of deconsolidation, SeaMex Limited is considered to be a related party of the Group and not a controlled subsidiary of Old Seadrill. The following sets out a summary of the related party agreements/transactions with SeaMex. All loan agreements referred to under this section were novated to Seadrill on the Effective Date.

##### 14.2.5.1 Management and administrative service agreement

In connection with the joint venture agreement, SeaMex, entered into a management support agreement with Seadrill Management, a wholly owned subsidiary of Old Seadrill, pursuant to which Seadrill Management provides SeaMex certain management and administrative services. The services provided by Seadrill Management are charged at cost plus management fee ranging from 4.5% to 8%. The agreement can be terminated by providing 60 days written notice. Income recognized under the management and administrative agreements for the year ended 31 December 2017 was USD 9 million, respectively, compared to USD 7 million for the year ended 31 December 2016 and USD 11 million for the year ended 31 December 2015, respectively.

It is also agreed that Seadrill Jack Up Operations De Mexico, which is a 100% owned subsidiary of SeaMex and provides support services to the rigs acquired by the joint venture, will continue to provide management services to the Group in respect of the rigs West Freedom and West Castor and charge a fee ranging from of 4.85% to 8% plus costs incurred in connection with managing the rigs on its behalf. Seadrill Jack Up Operations De Mexico has charged the Group fees, under the above agreements for the year ended 31 December 2017 of USD 5 million, USD 5 million for the year ended 31 December 2016 and USD 10 million for the year ended 31 December 2015. These amounts are included within "Vessel and rig operating expenses".

##### 14.2.5.2 Loans

The Group has provided the loans set out below.

#### USD 250 million seller's credit:

In March 2015, the Group provided SeaMex with a USD 250 million seller's credit as part of the settlement of the sale of assets to SeaMex. The seller's credit is divided into two facilities, (a) a term loan facility for an amount up to USD 230 million and (b) a revolving credit facility of up to USD 20 million. Both facilities bear interest at a rate of LIBOR plus a margin of 6.5% and mature in December 2019. Interest on the seller's credit is payable quarterly in arrears. The loan facility is subordinated to SeaMex's external bank debt facility. The outstanding balance as at 31 December 2017 was USD 250 million, as well as at 31 December 2016 and 2015. In 2015 the Group agreed to forgive accrued interest of USD 10 million against the seller's credit in relation to the contract extension of the West Pegasus with Pemex.

USD 162 million consideration receivable:

SeaMex agreed to pay the Group an amount of USD 162 million being consideration receivable in relation to the sale of the West Titania to the joint venture. This amount was paid in full during July 2015.

USD 45 million loan facility:

In November 2016, the terms attached to the USD 45.0 million funding from Old Seadrill was formalized, with an effective date of May 2015. The funding was provided on formation of the joint venture to fund short term working capital requirements. The facility bears interest at a rate of LIBOR plus a margin of 6.5% payable quarterly in arrears. The loan facility is subordinated to SeaMex's external debt facility. In the year ended 31 December 2015 the USD 45 million was classified within "Short-term amounts due from related parties" on the consolidated balance sheet as there were no formal terms. In the year ended 31 December 2016, upon formalization this was reclassified to "Long-term amounts due from related parties" on the consolidated balance sheet.

Old Seadrill made available a fully-subordinated unsecured credit facility of USD 20 million which will expire at the anniversary of the first draw-down of this amount or a portion thereof. The facility is to be provided by both Old Seadrill and Fintech at a ratio of 50% each. This matured at the end of December 2016. The facility bore interest at a rate of LIBOR plus a margin of 6.5%. The facility was intended to be repayable once SeaMex had complied with certain conditions with regards to its lenders, however remained undrawn.

Interest income for the year ended 31 December 2017 for the above mentioned loans was USD 28 million, compared to USD 18 million for the year ended 31 December 2016 and USD 17 million for the year ended 31 December 2015.

#### 14.2.5.3 Capital contributions

During the year ended 31 December 2015 both the joint venture partners each made an additional USD 19 million of equity investment in SeaMex while retaining their 50% share in the joint venture.

#### 14.2.5.4 Guarantees

During the latter part of 2015, SeaMex experienced issues regarding the delayed payment of invoices by its sole customer. The customer deferred payment into 2016 and SeaMex has since recovered the overdue balances. In order to ease the resulting cash flow impact on SeaMex, Old Seadrill, along with Fintech, Old Seadrill's joint venture partner, agreed to provide certain support to SeaMex. Simultaneously, the lenders to SeaMex have provided a short-term amendment to the bank facility to provide some additional flexibility.

In December 2015, Old Seadrill and Fintech provided a temporary joint and several guarantee for potential prepayment deficits that SeaMex might face under its loan agreements. The total guarantee for the potential prepayment deficits based on the 31 December 2015 testing date was USD 51 million. No liability was recognized for this guarantee as the Group did not consider it probable for the guarantee to be called. This joint and several guarantee was released in September 2016.

In respect of the guarantees and facilities described above, Old Seadrill has also obtained an indemnity from Fintech in order to be able to recover up to 50% of funding and costs, should Old Seadrill be called to make a contribution greater than its 50% share.

Old Seadrill has also provided performance guarantees for the benefit of SeaMex drilling units, up to a total of USD 30 million as at 31 December 2017, as well as at 31 December 2016 and 2015. SeaMex has since arranged its own bank facility to issue performance guarantees and hence the Group's potential liabilities under these performance guarantees are currently nil.

#### 14.2.5.5 Receivables and payables

Receivables and payables with the SeaMex joint venture are comprised of management fees, advisory and administrative services, and other items including accrued interest. Receivables and payables are unsecured and generally settled quarterly in arrears in the ordinary course of business.

Set out below are the receivables/(payables) with the SeaMex joint venture as at 31 December 2017, 2016 and 2015.

*In USD millions*

	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Seller's credit.....	250	250	250
\$45 million loan facility.....	45	45	45
Interest on long-term funding and sellers credit.....	50	22	4
Other receivables.....	32	31	30
Other payables.....	(3)	(2)	-

#### 14.2.6 Seabras Sapura transactions

Seabras Sapura Participacoes S.A. and Seabras Sapura Holding GmbH (together being referred to Seabras Sapura) are joint ventures each indirectly owned 50% by Old Seadrill, and 50% by TL Offshore Sdn Bhd, a subsidiary of Sapura Energy Berhad.

##### 14.2.6.1 Yard guarantees

Old Seadrill provided a yard guarantee of EUR 47 million (USD 51 million), in relation to the Seabras Sapura Participacoes S.A. pipe-laying vessel, which was provided on a several basis with the joint venture partner. During 2015 the unit was delivered and the yard obligations were fulfilled. Old Seadrill therefore no longer has any further obligations.

Old Seadrill provided yard guarantees in relation to Seabras Sapura Holding GmbH pipe-laying vessels which have been provided on a 50:50 basis with TL Offshore. As at 31 December 2017 and 31 December 2016 there were no guarantees outstanding as construction of the final vessel was completed during the second quarter of 2016. The guarantee outstanding as at 31 December 2015 was USD 125 million.

##### 14.2.6.2 Loans

In May 2014, Old Seadrill entered into a loan agreement with Sapura Navegacao Martima S.A. of USD 10.8 million, which was novated to Seabras Sapura Participações S.A. on 30 December 2015. The loan had an interest of 3.4% and was initially repayable by 31 May 2015. On May 28, 2015 the maturity date for this loan was extended to 31 May 2016. Subsequently, the loan agreement was amended and maturity date extended to 28 February 2017. Subsequent to the year end, the maturity was extended to 31 May 2017. As at 30 June 2017, the loan agreement was amended and the debt is now repayable on demand. The outstanding balance as at 31 December 2017 was USD 11 million, as well as the outstanding balance as at 31 December 2016 and 2015.

In May 2014, Old Seadrill entered into a loan agreement with Seabras Sapura of EUR 3.25 million (equal to USD 4.5 million). The loan had an interest of 3.4% and was repayable by 31 May 2015. On 28 May 2015 the maturity date for this loan was extended to 31 May 2016, however the loan was repaid in full in January 2016. The outstanding balance as at 31 December 2017 was therefore nil, as was the outstanding balance as at 31 December 2016. As at 31 December 2015 the outstanding balance was USD 3 million.

In January 2015, Old Seadrill provided a loan to Sapura Navegacao Martima S.A. of USD 18 million, which was novated to Seabras Sapura Participações S.A. on 30 December 2015. The loan bears an interest rate of 3.4% and was initially repayable by 16 February 2016. Subsequently, the loan agreement was amended and maturity date extended to 28 February 2017. Subsequent to the year end, the maturity was extended to 31 May 2017. As at 30 June 2017, the loan agreement was amended and the debt is now repayable on demand. The outstanding balance as at 31 December 2017 was USD 18 million, as was the outstanding balance as at 31 December 2016 and 2015.

In April 2015, Old Seadrill provided a loan to Sapura Onix GmbH of USD 14 million. The outstanding balance as at 31 December 2017 was USD 14 million, as was the outstanding balance as at 31 December 2016 and 2015. The loan bear an interest rate of LIBOR plus 3.99% and is repayable on demand, subject to certain restrictions under the agreement.

In December 2015, Old Seadrill provided a loan to Seabras Sapura Participações S.A. of USD 3.3 million relating to the payments for equipment. The outstanding balance as at 31 December 2017 was USD 3.3 million, as was the

balance as at 31 December 2016 and 2015. The loan bears an interest rate of 4.4% on overdue balances, and was due to be repaid on 28 February 2017. This facility is now repayable on demand.

In June 2016, Old Seadrill provided a subordinated loan to Seabras Rubi GmbH of USD 14 million in connection with delivery of the Seabras Rubi pipe-laying vessel. The loan bears an interest rate of LIBOR plus 3.99% and is repayable on demand, subject to certain restrictions under the agreement. The outstanding balance as at 31 December 2017 was USD 14 million, as was the outstanding balance as at 31 December 2016.

In October 2016, Old Seadrill provided a subordinated loan to Seabras Jade GmbH of USD 12 million in relation to the funding retention account in the joint venture for the Sapura Jade vessel. The loan bears an interest rate of LIBOR plus 3.99% and is repayable on demand, subject to certain restrictions under the agreement. The outstanding balance as at 31 December 2017 was USD 12 million, as was the outstanding balance as at 31 December 2016.

In December 2016, Old Seadrill provided a subordinated loan to Seabras Onix GmbH, USD 6 million in relation to the funding retention accounts in the joint venture for the vessels. The loan bears an interest rate of LIBOR plus 3.99% and is repayable on demand, subject to certain restrictions under the agreement. The outstanding balance as at 31 December 2017 was USD 6 million, as was the outstanding balance as at 31 December 2016.

In December 2016, Old Seadrill provided a subordinated loan to Seabras Diamante GmbH, USD 7 million in relation to the funding retention accounts in the joint venture for the vessels. The loan bears an interest rate of 4.5% and is repayable on demand, subject to certain restrictions under the agreement. The outstanding balance as at 31 December 2017 was USD 7 million, as was the outstanding balance as at 31 December 2016.

In December 2016, Old Seadrill provided a subordinated loan to Seabras Topazio GmbH, USD 7 million in relation to the funding retention accounts in the joint venture for the vessels. The loan bears an interest rate of 4.5% and is repayable on demand, subject to certain restrictions under the agreement. The outstanding balance as at 31 December 2017 was USD 7 million, as was the outstanding balance as at 31 December 2016.

The total net interest income of the above mentioned loans relating to Seabras Sapura for the year ended 31 December 2017 was USD 4 million, compared to USD 2.1 million for the year ended 31 December 2016 and USD 1.5 million for the year ended 31 December 2015.

#### 14.2.6.3 Financial guarantees

The Group has provided the financial guarantees set out below.

##### PLSV I:

In December 2013, certain subsidiaries of Seabras Sapura Holding GmbH entered into a USD 543 million senior secured credit facility agreement in order to part fund the acquisition of the Sapura Diamante, and Sapura Topazio pipe-laying support vessels. As a condition to the lenders making the loan available to each of the borrowers, Old Seadrill provided a Sponsor Guarantee, on a 50:50 basis with the joint venture partner, Sapura Energy Berhad, in respect of the obligations of the borrowers during certain defined time periods, the release of such guarantees being subject to the satisfaction of certain defined conditions. The guarantees cover obligations and liabilities of the borrowers under the facility agreement which arise during the period between the expiry of a contract and extension or renewal of that contract and following a guarantee extension relating to early termination of a contract. During these periods, the guarantees can only be called if the facility is in default. The total amount guaranteed by Old Seadrill as at 31 December 2017 was USD 186 million, while it amounted to USD 218 million as at 31 December 2016 and USD 242 million as at 31 December 2015. The guarantees secure the full outstanding amount under the facility agreement.

The Group has signed a term sheet with the lenders and Sapura Energy Berhad which contemplates the extinguishment of the sponsor guarantee in return for prepayments to the lenders using the joint venture cash on hand. The Group plans to complete this deal in Q3 2018.

##### PLSV II:

In April 2015, certain subsidiaries of Seabras Sapura Holding GmbH entered into a USD 780 million senior secured credit facility agreement in order to part fund the acquisition of the Sapura Onix, Sapura Jade and Sapura Rubi pipe-laying support vessels. As a condition to the lenders making the loan available to each of the borrowers, Old Seadrill

provided a sponsor guarantee, on a 50:50 basis with the joint venture partner, Sapura Energy Berhad in respect of the obligations of the borrowers during certain defined time periods, the release of such guarantees being subject to the satisfaction of certain defined conditions. The guarantees cover obligations and liabilities of the borrowers under the facility agreement which arise during the period between the expiry of a contract and extension or renewal of that contract and following a guarantee extension relating to early termination of a contract. During these periods, the guarantees can only be called if the facility is in default. The amount guaranteed by Old Seadrill as at 31 December 2017 was USD 328 million, while it amounted to USD 367 million as at 31 December 2016 and USD 256 million as at 31 December 2015. The guarantees are vessel specific and can only be called for the outstanding amounts under the relevant vessel tranche.

In addition, Old Seadrill has provided bank guarantees in relation to the above credit facilities to cover six months of debt service costs and three months of operating expenses under retention accounts. These guarantees were released in the period following Old Seadrill providing loans as described above. The total amount guaranteed as at 31 December 2017 and 2016 was nil, while the total amount guaranteed as at 31 December 2015 was USD 52 million. The guarantees are vessel specific can only be called for the outstanding amounts under the relevant vessel tranche.

#### Sapura Esmeralda:

In November 2012, a subsidiary of Seabras Sapura Participacoes S.A. entered into a USD 179 million senior secured credit facility agreement in order to part fund the acquisition of the Sapura Esmeralda pipe-laying support vessel, with a maturity in 2032. During 2013 an additional facility of USD 36 million was entered into, with a maturity in 2020. As a condition to the lenders making the loan available, the borrower, a wholly owned subsidiary of Old Seadrill provided a sponsor guarantee, on a joint and several basis with the joint venture partner, TL Offshore Sdn. Bhd. in respect of the obligations of the borrower. The total amount guaranteed as at 31 December 2017 was USD 184 million, while it amounted to USD 202 million as at 31 December 2016 and USD 206 million as at 31 December 2015.

The Sapura Esmeralda operates under a provisory certificate of property registry which entitles the vessel to fly the Brazilian flag. Seabras Sapura is currently in the process of applying for the certificate to be issued permanently. There is a risk that if the provisory certificate is cancelled and Seabras Sapura is unsuccessful in any appeals or in pursuing other available remedies, this could affect the operations of the Sapura Esmeralda and potentially impact its commercial agreements and related financing.

As at 31 December 2017, the Group has not recognized a liability as it is not considered probable for the guarantees to be called.

#### 14.2.6.4 Operating activities

A subsidiary of Seabras Sapura sublets warehouse and office space to subsidiaries of Old Seadrill in Brazil. The amount charged for the year ended 31 December 2017 was USD 1 million, while it amounted to USD 2 million for the year ended 31 December 2016 and USD 1 million for the year ended 31 December 2015. These amounts are included in "Vessel and rig operating expenses" in the consolidated statement of operations.

Other trading balances with Seabras Sapura, including interest receivable, totaled a receivable of USD 6 million as at 31 December 2017, USD 9 million as at 31 December 2016, and USD 12 million as at 31 December 2015.

#### 14.2.7 Other related party transactions

In the year ended 31 December 2017, the Group recognized related party revenues of USD 110 million, compared to USD 100 million in the year ended 31 December 2016 and USD 119 million in the year ended 31 December 2015. In 2016 and 2015 the revenue related to Seadrill Partners and SeaMex under the management agreements as described above.

### **14.3 Transactions carried out with related parties in the period following 31 December 2017 and until the date of this Prospectus**

#### ***Registration rights agreement***

The Company entered into an agreement with the Commitment Parties on 17 April 2018, under which the Company agreed to register the common shares held by the Commitment Parties and certain other recipients of the Company's common shares for resale under the U.S. Securities Act and applicable state laws.



In addition, the Company entered into a management agreement with Northern Drilling in May 2018 as further described in section 14.2.3.4 "Northern Drilling transactions".

Other than the transactions described in this Section 13, the Group has not entered into any transactions with related parties in the period following 31 December 2017 and until the date of this Prospectus.

## 15 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Company's memorandum of association, Bye-Laws and applicable Norwegian and Bermuda law in effect as of the date of this Prospectus, including the Bermuda Companies Act. The summary does not purport to be complete and is qualified in its entirety by the Company's memorandum of association, Bye-Laws and applicable law.

### 15.1 Corporate information

The Company is an exempted company limited by shares incorporated under the laws of Bermuda and in accordance with the Bermuda Companies Act 1981, as amended, of Bermuda (the "**Bermuda Companies Act**"). It was incorporated on 14 March 2018 under the name New SDRL Limited, and with effect from the Effective Date, its name was changed to Seadrill Limited, which also is its commercial name. The Company is registered with the Bermuda Registrar of Companies under registration number 53439. The Company's registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda. Telephone: +1 (441) 295-9500 and fax: +1 (441) 295-3494. The Group's website address is [www.seadrill.com](http://www.seadrill.com). The Company's principal executive offices are located at the Group's corporate headquarters (Seadrill Management) in Chiswick Business Park, Building 11, 2nd Floor, 566 Chiswick High Road, London W4 5YS, United Kingdom, and its telephone at this address is +44 (0) 20 881 4700.

A register of holders of the Shares will be maintained by Frontline in Bermuda, and branch registers will be maintained in the United States by Computershare Trust Company, N.A. ("**Computershare**") and in Norway by Nordea, who will serve as branch registrars and transfer agents. For more information on VPS registration of the Shares, see Section 15.8 "VPS registration of the Shares" below.

Trading in the Shares on NYSE commenced on 3 July 2018 and on 19 July 2018 the Company applied for a secondary admission to trading of the Shares on the Oslo Stock Exchange. Trading in the Shares on the Oslo Stock Exchange is expected to commence on or about 26 July 2018.

### 15.2 Legal structure

Seadrill, the ultimate parent company of the Group, is a holding company and its primary activity is to hold shares in other companies. The operations of the Group are entirely carried out by the Group's operating subsidiaries. Set out below is an overview of the Company's significant subsidiaries. As at the date of this Prospectus, the Company is of the opinion that its holdings in the entities specified below are likely to have a significant effect on the assessment of its own assets and liabilities, financial condition or profits and losses.

Company name	Country	Principal activities	Percent
<b>Drilling unit owning companies</b>			
Asia Offshore Rig 1 Ltd	Bermuda	Owner of AOD 1	66.23%
Asia Offshore Rig 2 Ltd	Bermuda	Owner of AOD 2	66.23%
Asia Offshore Rig 3 Ltd	Bermuda	Owner of AOD 3	66.23%
Sevan Brasil Ltd	Bermuda	Owner of Sevan Brasil	100%
Sevan Drilling Rig VI Pte Ltd	Singapore	Owner of Sevan Developer no. 4	100%
Sevan Driller Ltd	Bermuda	Owner of Sevan Driller	100%
Sevan Louisiana Hungary KFT	Hungary	Owner of Sevan Louisiana	100%
North Atlantic Alpha Ltd	Bermuda	Owner of West Alpha	100%
Seadrill Aquila Ltd	Bermuda	Owner of West Aquila	100%
Seadrill Ariel Ltd.	Liberia	Owner of West Ariel	100%
Seadrill Callisto Ltd	Bermuda	Owner of West Calisto	100%
Seadrill Carina Ltd	Bermuda	Owner of West Carina	100%
Seadrill Castor Ltd	Bermuda	Owner of West Castor	100%
Seadrill Cressida Ltd	Bermuda	Owner of West Cressida	100%
Seadrill Defender (S) Pte Ltd	Singapore	Owner of West Defender	100%
Seadrill Dione Ltd	Bermuda	Owner of West Dione	100%
Seadrill Dorado Ltd	Bermuda	Owner of West Dorado	100%
Seadrill Draco Ltd	Bermuda	Owner of West Draco	100%
Seadrill Eclipse Ltd	Bermuda	Owner of West Eclipse	100%

North Atlantic Elara Ltd	Bermuda	Owner of West Elara	100%
Seadrill Eminence Ltd	Bermuda	Owner of West Eminence	100%
North Atlantic Epsilon Ltd	Bermuda	Owner of West Epsilon	100%
Seadrill Freedom Ltd	Bermuda	Owner of West Freedom	100%
Seadrill Gemini Ltd	Bermuda	Owner of West Gemini	100%
Seadrill Hyperion Ltd	Bermuda	Owner of West Hyperion	100%
Seadrill Jupiter Ltd.	Bermuda	Owner of West Jupiter	100%
Seadrill Indonesia Ltd	Bermuda	Owner of West Leda	100%
Seadrill Libra Ltd	Bermuda	Owner of West Libra	100%
Seadrill Mimas Ltd	Bermuda	Owner of West Mimas	100%
Seadrill Mira Ltd	Bermuda	Former owner of West Mira	100%
North Atlantic Navigator Ltd	Bermuda	Owner of West Navigator	100%
Seadrill Neptune Hungary KFT	Bermuda	Owner of West Neptune	100%
Seadrill Orion Ltd	Bermuda	Owner of West Orion	100%
Seadrill Pegasus Pte Ltd	Singapore	Owner of West Pegasus	100%
North Atlantic Phoenix Ltd	Bermuda	Owner of West Phoenix	100%
Seadrill Prospero Ltd	Bermuda	Owner of West Prospero	100%
Seadrill Proteus Ltd	Bermuda	Owner of West Proteus	100%
Seadrill Rhea Ltd	Bermuda	Owner of West Rhea	100%
North Atlantic Rigel Ltd	Bermuda	Owner of West Rigel	100%
Seadrill Saturn Ltd	Bermuda	Owner of West Saturn	100%
Seadrill Teleso Ltd	Bermuda	Owner of West Teleso	100%
Seadrill Tellus Ltd	Bermuda	Owner of West Tellus	100%
Seadrill Tethys Ltd	Bermuda	Owner of West Tethys	100%
Seadrill Titan Ltd	Bermuda	Owner of West Titan	100%
Seadrill Tucana Ltd	Bermuda	Owner of West Tucana	100%
Seadrill Umbriel Ltd	Bermuda	Owner of West Umbriel	100%
North Atlantic Venture Ltd	Bermuda	Owner of West Venture	100%
Scorpion Vigilant Ltd	Bermuda	Owner of West Vigilant	100%

**Drilling units under sale leaseback**

SFL Deepwater Ltd*	Bermuda	Owner of West Taurus	—%
SFL Hercules Ltd*	Bermuda	Owner of West Hercules	—%
SFL Linus Ltd*	Bermuda	Owner of West Linus	—%

**Contracting and management companies**

Seadrill Norway Crew AS	Norway	Crewing Company	100%
Seadrill UK Crewing Ltd	Bermuda	Crewing Company	100%
Seadrill UK Operations Ltd	United Kingdom	Drilling services contractor	100%
Seadrill Europe Management AS	Norway	Management company	100%
Seadrill Norway Operations Ltd	Bermuda	Drilling services contractor	100%
Seadrill UK Support Services Ltd	United Kingdom	Management company	100%
Sea Dragon de Mexico S. de R.L. de C.V.	Mexico	Management company	100%
Seadrill Americas Inc.	USA	Drilling services contractor and technical services	100%
Seadrill Deepwater Contracting Ltd	Bermuda	Contracting company	100%
Seadrill Deepwater Crewing Ltd	Bermuda	Crewing company	100%
Seadrill Deepwater Units Pte Ltd.	Singapore	Management company	100%
Seadrill Insurance Ltd.	Bermuda	Insurance company	100%
Seadrill Management (S) Pte Ltd	Singapore	Management company	100%
Seadrill Management AME Ltd.	Bermuda	Management company	100%
Seadrill Management AS	Norway	Management company	100%
Seadrill Management Limited	United Kingdom	Management company	100%
Seadrill Management Services Ltd	British Virgin Islands	Management company	100%

Seadrill Offshore AS	Norway	Drilling services contractor	100%
Seadrill Offshore Singapore Pte Ltd	Singapore	Management company	100%
Seadrill Servicos de Petroleo Ltda.	Brazil	Drilling services contractor	100%

**Holding companies**

North Atlantic Drilling Ltd	Bermuda	Holding Company	100%
Seadrill Common Holdings Ltd	Bermuda	Holding Company	100%
Seadrill Deepwater Holdings Ltd	Bermuda	Holding Company	100%
Seadrill Jack Up Holding Ltd	Bermuda	Holding Company	100%
Seadrill Member LLC	Marshall Islands	Holding Company	100%
Seadrill UK Ltd	United Kingdom	Holding Company	100%
SeaMex Ltd	Bermuda	Holding Company	100%
Sevan Drilling ASA	Norway	Holding Company	100%
Sevan Drilling Ltd	Bermuda	Holding Company	100%
Seadrill Rig Holding Company Limited	Bermuda	Holding Company	100%
Seadrill Investment Holding Company Limited	Bermuda	Holding Company	100%
Seadrill Operating LP Holdco Limited	Bermuda	Holding Company	100%
Seadrill Capricorn Holdco Limited	Bermuda	Holding Company	100%
Seadrill Partners LLC Holdco Limited	Bermuda	Holding Company	100%
Seadrill Member Holdco Limited	Bermuda	Holding Company	100%
Seadrill Seabras UK Limited	United Kingdom	Holding Company	100%
Seadrill Archer Holdco Limited	Bermuda	Holding Company	100%
Seadrill Seabras SP Holdco Limited	Bermuda	Holding Company	100%
Seadrill JU Newco Bermuda Limited	Bermuda	Holding Company	100%
Seadrill North Atlantic Holdings Limited	Bermuda	Holding Company	100%
Seadrill Sevan Holdings Limited	Bermuda	Holding Company	100%
Seadrill Seabras SP UK Limited	United Kingdom	Holding Company	100%
Seadrill Mobile Units UK Limited	United Kingdom	Holding Company	100%
Seadrill SKR Holdco Limited	Bermuda	Holding Company	100%
Seadrill SeaMex SC Holdco Limited	Bermuda	Holding Company	100%
Seadrill SeaMex 2 de Mexico S de RL de CV	Mexico	Holding Company	100%
Seadrill Seadragon UK Limited	United Kingdom	Holding Company	100%
Seadrill Seabras SR Holdco Limited	Bermuda	Holding Company	100%

**Financing companies**

Seadrill New Finance Limited	Bermuda	Financing Company	100%
Seadrill Treasury UK Limited	United Kingdom	Financing Company	100%

\* These are consolidated as variable interest entities (referred to herein as VIEs).

**15.3 Authorized and issued share capital**

At the date of this Prospectus, the Company's authorized share capital is USD 11,111,111.10, consisting of 111,111,111 common shares each with a par value of USD 0.10, of which 100,000,000 common shares are currently in issue. The Board of Directors has reserved the remaining 11,111,111 common shares for issuance under the Company's employee incentive plan in accordance with the Plan. All of the Company's issued and outstanding common shares are and will be fully paid. Subject to the Bye-Laws, the Board of Directors is authorized to issue any of the authorized but unissued common shares. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote in the Company's shares.

## 15.4 Common shares

Holders of common shares have no pre-emptive, redemption, conversion or sinking fund rights. Holders of common shares are entitled to one vote per common share on all matters submitted to a vote of holders of common shares. Unless a different majority is required by law or the Bye-Laws, resolutions to be approved by holders of common shares require the approval by an ordinary resolution (being a resolution approved by a simple majority of votes cast at a general meeting at which a quorum is present). Under the Bye-Laws, each common share is entitled to dividends if, as and when dividends are declared by the Board of Directors, subject to any preferred dividend right of the holders of any preference shares.

In the event of liquidation, dissolution or winding up of the Company, the holders of common shares are entitled to share equally and ratably in the Company's assets, if any, remaining after the payment of all of its debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

## 15.5 Preference shares

Pursuant to Bermuda law and the Bye-Laws, shareholders by ordinary resolution may create preference shares. Subject to the Bermuda Companies Act, preference shares may, subject to an Ordinary Resolution (as such is defined in the Bye-Laws) be issued on terms that they are to be redeemed on the happening of a specified event or on a specified date or may be redeemed at the option of the holder or the Company. As at the date of this Prospectus, the Company has not issued any preference shares.

## 15.6 Share capital history

The table below shows the development in the Company's authorized share capital for the period from incorporation up until the date hereof:

Date	Type of change	Change in authorized share capital (USD)	New authorized share capital (USD)	No. of authorized shares	Par value per share (USD)
14 March 2018	Incorporation	-	1,000	10,000	USD 0.10
2 July 2018	Increase in authorized share capital	11,110,111.10	11,111,111.10	111,111,111	USD 0.10

The table below shows the development in the Company's issued share capital for the period from incorporation to the date hereof:

Date	Type of change	Change in issued share capital (USD)	New issued share capital (USD)	No. of issued shares	Par value per share (USD)
14 March 2018	Incorporation	-	-	-	-
29 March 2018	Share issuance	-	100	1,000	USD 0.10
2 July 2018	Share issuance	10,000,000	10,000,100	100,001,000	USD 0.10
2 July 2018	Share repurchase for cancellation	(-100)	10,000,000	100,000,000	USD 0.10

## 15.7 Admission to trading

On 19 July 2018, the Company applied for a secondary admission to trading of the Shares on the Oslo Stock Exchange. Trading in the Shares on the Oslo Stock Exchange is expected to commence on or about 26 July 2018.

Trading in the Shares on the NYSE commenced on 3 July 2018.

## 15.8 VPS registration of the Shares

In addition to the principal share register of the Company maintained by Frontline, in Bermuda pursuant to the provisions of the Bermuda Companies Act, the VPS maintains a branch register of the Shares and a branch register is also held by Computershare Trust Company, N.A. for the Company's common shares listed on the NYSE as the Company's transfer agent in the United States.

Bermuda law permits the transfer of shares listed or admitted to trading on the Oslo Stock Exchange to be effected in accordance with the rules of the Oslo Stock Exchange (provided that it remains an Appointed Stock Exchange).

Accordingly, the title to the Shares will be evidenced and transferred without a written instrument by the VPS in accordance with the Bye-Laws, provided that they are listed or admitted to trading on the Oslo Stock Exchange. The Shares (and not only the beneficial interests in the Shares) are registered in the VPS. In order to facilitate registration and maintenance of the Shares in the VPS, the Company has entered into a paying agent and registrar agreement with Nordea Bank AB (publ), filial i Norge, Issuer Service (with business address at Essendropsgt. 7, N-0368 Oslo, Norway), who administrates the Company's VPS register. The Shares are registered in book-entry form with the VPS under ISIN code BMG7998G1069.

Reference is made to Section 16.4 "The VPS and transfer of shares" for more information on VPS registration and transfer of shares in VPS under Norwegian law.

### 15.9 Transfer of shares between the NYSE and the Oslo Stock Exchange

A shareholder who wishes to transfer its shares between the NYSE and the Oslo Stock Exchange is asked to contact its broker for more information in this respect.

### 15.10 Ownership structure

The Company's 10 largest shareholders as of the Effective Date are shown in the table below.

#	Shareholders	Number of shares
1	Hemen Investments Limited	29,800,052
2	Centerbridge Credit Partners Master AIV III, L.P.	6,096,428
3	Emery 68, LLC	5,789,610
4	Aristeia Master, L.P.	5,461,150
5	Attestor Value Master Fund LP	3,535,968
6	SABA CAPITAL MASTER FUND II, LTD.	3,363,180
7	Man GLG European Distressed	3,286,959
8	Centerbridge Special Credit Partners III AIV III, L.P.	2,342,478
9	IF P&C Insurance Ltd.	1,901,133
10	Crown Managed Accounts SPC	1,822,114

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 16.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the Effective Date, the Company is not aware of any other shareholder (being beneficial owners of the Shares) who holds more than 5% of the issued Shares than Hemen, Aristeia Capital, LLC, investment funds affiliated with Centerbridge Partners L.P, GLG Partners LP and Saba Capital Management, L.P.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

### 15.11 Share repurchase and treasury shares

Pursuant to the Bye-Laws, the Company may purchase its own shares for cancellation or acquire them as treasury shares on such terms and in such manner as may be authorized by the Board of Directors, subject to the Bermuda Companies Act. The Board of Directors may exercise all the powers of the Company to purchase its own Shares.

As at the date of this Prospectus the Company holds 15,850 shares.

### 15.12 Other financial instruments

In May 2018, the Company entered into a five year amortizing interest rate cap to hedge its interest rate risk, where the strike is 2.877%. The notional amount is as follows from the table below:

<i>In USD billions</i>	Year 1-3	Year 4	Year 5
Amount	4.5	3.5	2.5

Except for the shares reserved for the Company's employee incentive plan, neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, neither the

Company nor any of its subsidiaries has issued subordinated debt or transferable securities other than the Shares and the shares in its subsidiaries which will be held, directly or indirectly, by the Company or, in the case of joint venture companies, by it and its partners.

### **15.13 Shareholder rights**

The Company has one class of common shares in issue, and all shares in that class have equal rights to all such other shares in that class as set out in the Bye-Laws. There are no differences in voting rights between the Shareholders.

### **15.14 The memorandum of association, Bye-Laws and Bermuda Law**

The Bye-Laws are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Bye-Laws and certain aspects of applicable Bermuda law. The Bye-Laws do not place more stringent conditions for the change of rights of holders than those required by the Bermuda Companies Act.

#### *15.14.1 Objective of the Company*

The objects of the Company's business are unrestricted, meaning that the Company has the capacity of a natural person, and can carry out any trade or business which, in the Board of Directors' opinion, can be advantageously carried out by the Company. Moreover, this means that the Company's objectives are not specified in the Bye-Laws. The Company can therefore undertake activities without restriction on its capacity.

#### *15.14.2 Board of Directors*

##### *15.14.2.1 Proceedings of the Board of Directors*

The Bye-Laws provide that, subject to the Bermuda Companies Act, the business of the Company shall be managed by the Board of Directors. Generally, the Board of Directors may exercise the powers of the Company, except to the extent the Bermuda Companies Act or the Bye-Laws reserve such power to the shareholders. Bermuda law permits individual or corporate directors and there is no requirement in the Bye-Laws or Bermuda law that directors hold any of the Company's shares. There is also no requirement in the Bye-Laws or Bermuda law that the Directors must retire at a certain age.

The remuneration of the Directors is determined by the shareholders in a general meeting, by ordinary resolution. The Directors may also be paid all reasonable travel, hotel and incidental expenses properly incurred by them in connection with the Company's business or in discharge of their duties as Directors.

No physical meeting of the Board of Directors may take place in Norway or the United Kingdom. For any meeting of the Board of Directors or any board committee held electronically, a majority of the Directors participating (including the Chairman) must be physically located outside the United Kingdom, and the Board of Directors must use reasonable endeavors to ensure that the meeting is not deemed to be held in Norway.

Provided a Director discloses a direct or indirect interest in any contract or arrangement with the Company, as required by Bermuda law, such Director is pursuant to the Bye-Laws entitled to vote in respect of any such contract or arrangement in which he or she is interested and shall be taken into account in determining the quorum for the relevant board meeting. The Director must declare the nature of that interest, as required by the Bermuda Companies Act, however, no such contract or proposed contract will be void or voidable by reason only that such Director voted on it or was counted in the quorum of the relevant board meeting. Matters decided at a board meeting are determined by a majority of votes cast. No Director (including the chairman of the Board of Directors (if any)) is entitled to a second or casting vote. In the case of an equality of votes, the motion will be deemed to be lost.

A Director (including the spouse or children of the Director or any company of which such Director, spouse or children own or control more than 20% of the capital or loan debt) cannot borrow from the Company, (except loans made to Directors who are bona fide employees or former employees pursuant to an employees' share scheme) unless Shareholders holding 90% of the total voting rights have consented to the loan.

##### *15.14.2.2 Election and removal of Directors*

The Bye-Laws provide that, provided Hemen's Percentage Interest (as defined therein) is at least 5% (and has not previously fallen below 5%), the Board of Directors shall not have more than seven directors unless the shareholders by Ordinary Resolution (as defined in the Bye-Laws) determine otherwise and Hemen provides its prior written

consent. In the event that Hemen's Percentage Interest falls below 5%, the number of Directors shall be such number as the Company by Ordinary Resolution may determine from time to time.

Pursuant to the Bye-Laws, members of the Board of Directors are appointed as follows:

- a) provided that Hemen's Percentage Interest is equal to or exceeds 10% (and has not previously fallen below 10%), Hemen shall have the right from the Plan Effective Date (as defined in the Bye-Laws) to: (a) appoint two persons as Hemen Directors (as defined in the Bye-Laws), of whom one shall be the Chairman; and (b) appoint two persons as Independent Nominees (as defined in the Bye-Laws), provided that the other Directors are given reasonable opportunity to meet and consult with Hemen and such Independent Nominees prior to their appointment to the Board of Directors;
- b) provided that Hemen's Percentage Interest is equal to or exceeds 5% but is less than 10% (and has not previously fallen below 5%), Hemen shall have the right from the Plan Effective Date to: (a) appoint one person as a Hemen Director, who shall be the Chairman; and (b) appoint two persons as Independent Nominees, provided that the other Directors are given reasonable opportunity to meet and consult with Hemen and such Independent Nominees prior to their appointment to the Board of Directors;
- c) provided that Centerbridge retains at least 50% of the Initial Centerbridge Investment (as defined in the Bye-Laws) (and has not previously held less than 50% of the Initial Centerbridge Investment), Centerbridge shall have the right from the Plan Effective Date to appoint one person as a Centerbridge Director (as defined in the Bye-Laws), including at the time of the first election of directors that follows the first anniversary of the Plan Effective Date (but not any subsequent election). From the second election of directors which takes place following the first anniversary of the Plan Effective Date (and subsequent elections thereafter), Centerbridge shall no longer have the right to appoint a Centerbridge Director;
- d) provided that the Select Commitment Parties retain at least 50% of the Initial Select Commitment Parties' Investment (as defined in the Bye-Laws) (and have not previously held less than 50% of the Initial Select Commitment Parties' Investment), the Select Commitment Parties, acting by a majority shall have the right from the Plan Effective Date until immediately prior to the first annual general meeting after the Plan Effective Date to appoint Select Commitment Parties Director (as defined in the Bye-Laws); and
- e) Hemen, Centerbridge and the Select Commitment Parties, acting by a majority of each of Hemen, Centerbridge and the Select Commitment Parties, shall have the right from the Plan Effective Date to appoint one Joint Designee Director (as defined in the Bye-Laws). The New Commitment Parties (as defined in the Bye-Laws) shall have the right to suggest up to three candidates for the position of Joint Designee Director, which candidates will be considered by Hemen, Centerbridge and the Select Commitment Parties when determining the identity of the Joint Designee Director, provided that the New Commitment Parties will provide the names of the suggested candidates to Hemen, Centerbridge and the Select Commitment Parties, not less than 10 Business Days (as defined in the Bye-Laws) in advance of the proposed date of appointment of the Joint Designee Director in accordance with the Bye-Laws. Prior to appointing the Joint Designee Director, Hemen, Centerbridge and the Select Commitment Parties will deliver written notice of the proposed identity of the Joint Designee Director to the Ad Hoc Group (with separate notice to the outside legal counsel of the Ad Hoc Group) and Barclays not less than three Business Days in advance of the proposed date of appointment of the Joint Designee Director, and shall take into consideration any objections raised by the New Commitment Parties as to the identity of the Joint Designee Director. Notwithstanding the foregoing, each of Hemen, Centerbridge and the Select Commitment Parties shall not unreasonably withhold its consent to any appointment of such Joint Designee Director.

From and after such time as Hemen, Centerbridge and the Select Commitment Parties cease to have the right to appoint their respective Director(s) or Independent Nominee, as the case may be, such Directors shall be subject to re-election by Ordinary Resolution at each annual general meeting.

A Director may resign by providing notice in writing to the Company of such resignation. A Director (other than an Investor Appointed Director (as defined in the Bye-Laws)), may be removed by the Shareholders in a general meeting, provided that the notice of any such general meeting of shareholders convened for the purpose of removing a Director is given to the Director concerned. The notice must contain a statement of the intention to remove the Director and



must be served the Director not less than 14 days before the meeting. The Director shall be entitled to attend the meeting and be heard on the motion for his or her removal. An Investor Appointed Director may be removed by written notice delivered to the Company's registered office by the Investor(s) entitled to make the appointment.

The majority of all the Directors, when taken together, shall not be resident in the United Kingdom.

#### 15.14.2.3 Duties of Directors

The Bye-Laws provide that the Company's business is to be managed by the Board of Directors. Under Bermuda common law, members of the board of directors of a Bermuda company owe a fiduciary duty to the company to act in good faith in their dealings with or behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty includes the following elements:

- a duty to act in good faith in the best interest of the company;
- a duty not to make a personal profit from opportunities that arise from the officer of director;
- a duty to avoid conflicts of interest; and
- a duty to exercise powers for the purpose for which such powers were intended.

The Bermuda Companies Act imposes a duty on directors and officers of a Bermuda company to act honestly and in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Bermuda Companies Act imposes various duties on directors and officers of a company with respect to certain matters of management and administration of the company. Directors and officers generally owe fiduciary duties to the company, and not to the company's individual shareholders.

#### 15.14.3 Share rights

The holders of Shares have no pre-emptive, redemption, conversion or sinking fund rights. The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the holders of Shares. Unless a different majority is required by law or by the Bye-Laws, resolutions to be approved by the holders of Shares require approval by a simple majority of votes cast at a meeting at which a quorum is present.

In the event of the liquidation, dissolution or winding up of the Company, the holders of Shares are entitled to share equally and ratably in its assets, if any, remaining after the payment of all of the Company's debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

#### 15.14.4 Variation of share rights

The Bye-Laws provide that, subject to the Bermuda Companies Act, the rights attached to any class of the shares issued, unless otherwise provided for by the terms of issue of the relevant class, may be altered or abrogated either: (i) with the consent of the holders of not less than 75% of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of 75% of the votes cast at a general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing at least one-third of the issued shares of the relevant class is present. However, if the Company or a class of shareholders only has one shareholder, one shareholder present in person or by proxy shall constitute the necessary quorum, as specified in (i) and (ii). The Bye-Laws specify that the creation or issue of Shares ranking equally with existing Shares will not, unless expressly provided by the terms of issue of existing Shares, vary the rights attached to existing Shares.

#### 15.14.5 Voting rights

Under Bermuda law, the voting rights of Shareholders are regulated by the Bye-laws, except in certain circumstances provided in the Bermuda Companies Act. At any general meeting, every holder of Shares present in person and every person holding a valid proxy shall have one vote on a show of hands. On a poll, every such holder of Shares present in person or by proxy shall have one vote for every Share held.

Except where a greater majority is required by the Bermuda Companies Act or the Bye-Laws, any question proposed for the consideration of the shareholders at a general meeting shall be decided by the affirmative votes of a majority

of the votes cast in accordance with the provisions of the Bye-Laws and in case of an equality of votes the chairman of such meeting shall not be entitled to a second or deciding vote and the resolution shall fail.

#### *15.14.6 Amendment of the memorandum of association and Bye-Laws*

Bermuda law provides that the memorandum of association of a company may be amended in the manner provided for in the Bermuda Companies Act, i.e. by a resolution passed at a general meeting of shareholders. The Bye-laws provide that the Bye-laws may be amended by the Board of Directors but any such amendment shall only become operative to the extent that it has been confirmed by an Ordinary Resolution (as defined in the Bye-laws). The Bye-Laws provide that as long as Hemen's Percentage Interest (as defined in the Bye-Laws) is at least 5%, Hemen's prior written consent is required for any amendment that would modify or otherwise affect Hemen's right to appoint the Hemen Directors and/or the Independent Nominees (as terms are defined in the Bye-Laws) or the right and powers of the Hemen Directors and/or the Independent Nominees once appointed. The Bye-Laws also provide that as long as Centerbridge retains at least 50% of the Initial Centerbridge Investment (as defined in the Bye-Laws), the Company may not, without prior written consent of Centerbridge, amend the Bye-Laws or its memorandum of association in any way that would modify or otherwise negatively impact: (i) Centerbridge's right to appoint the Centerbridge Director (as defined in the Bye-Laws); or (ii) the rights and powers of the Centerbridge Director once appointed.

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of the Company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Bermuda Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Supreme Court of Bermuda. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the Company's memorandum of association is passed and may be made on behalf of persons entitled to make the application or by one or more of their numbers as they may appoint in writing for the purpose. No application may be made by shareholders voting in favor of the amendment.

#### *15.14.7 General Meetings of shareholders*

The annual general meeting of the Company shall be held once in every year at such time and place as the Board of Directors appoints. Pursuant to Bermuda law, the Board of Directors may call for a special general meeting whenever they think fit, and the Board of Directors must call for a special general meeting upon the request of shareholders holding not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings. Bermuda law also requires that shareholders of a company are given at least five days' advance notice of a general meeting, unless notice is waived. The Bye-Laws provide that the Board of Directors may convene an annual general meeting or a special general meeting. General meetings of shareholders may not be held in Norway or the United Kingdom.

Under the Bye-Laws, at least seven days' notice of an annual general meeting must be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held. At least seven days' notice of a special general meeting must be given to each shareholder entitled to attend and vote thereat, stating the date, place and time and the general nature of the business to be considered at the meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed: (i) in the case of an annual general meeting by all of the shareholders entitled to attend and vote at such meeting; or (ii) in the case of a special general meeting by a majority in number of the shareholders entitled to attend and vote at the meeting holding not less than 95% in nominal value of the shares entitled to attend and vote at such meeting. Pursuant to the Bye-Laws, the quorum required for a general meeting of shareholders is two or more shareholders present in person or by proxy and entitled to vote (whatever the number of shares held by them).

The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice does not invalidate the proceedings at that meeting.

Pursuant to the Bye-Laws, no Shareholder is entitled to attend any general meeting of shareholders unless the Shareholder has delivered to the Company's registered office written notice of its intention to attend and vote in person or by proxy at least 48 hours before the time of the meeting or the adjournment thereof.

#### 15.14.8 Shareholders' proposals

Under Bermuda law, shareholders may, as set forth below and at their own expense (unless the company otherwise resolves), require the company to: (i) give notice to all shareholders entitled to receive notice of the annual general meeting of any resolution that the shareholders may properly move at the next annual general meeting; and/or (ii) circulate to all shareholders entitled to receive notice of any general meeting a statement (of not more than one thousand words) in respect of any matter referred to in the proposed resolution or any business to be conducted at such general meeting. The number of shareholders necessary for such a requisition is either: (i) any number of shareholders representing not less than 5% of the total voting rights of all shareholders entitled to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders.

#### 15.14.9 Dividend rights

Under Bermuda law, a company may not declare or pay a dividend or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that: (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) that the realizable value of its assets would thereby be less than its liabilities. Under the Bye-Laws, each common share is entitled to dividends if, as and when dividends are declared by the Board of Directors, subject to any preferred dividend right of the holders of any preference shares.

Any cash dividend payable to holders of the shares listed on the NYSE will be paid to Computershare, the Company's transfer agent in the United States for disbursement to those holders. Any cash dividends payable to holders of the Shares listed on Oslo Børs will be paid to Nordea, the Company's transfer agent in Norway for disbursement to those holders.

Pursuant to the Bye-Laws, any dividends, distributions or proceeds of share repurchases which remain unclaimed for three years from the date of declaration of such dividend, distribution or proceeds of share repurchases will be forfeited and revert to the Company.

#### 15.14.10 Transfer of Shares

The Bye-Laws provide that the Board of Directors may decline to register, and may require any registrar appointed by the Company to decline to register, a transfer of a Share or any interest therein held through the VPS if such transfer would be likely, in the opinion of the Board of Directors, to result in 50% or more of the issued share capital (or of the votes attaching all issued shares in the Company) being held or owned directly or indirectly by persons resident for tax purposes in Norway. A failure to notify the Company of such correction or change can lead to the Shareholder's entitlement to vote, exercise other rights attaching to the Shares or interests therein being sold at the best price reasonably obtainable in all the circumstances. Furthermore, if such holding of 50% or more by individuals or legal persons resident for tax purposes in Norway or connected to a Norwegian business activity, the Bye-Laws require the Board of Directors to make an announcement through the Oslo Stock Exchange, and the Board of Directors and the registrar appointed by the Company are then entitled to dispose of Shares or interests therein to bring such holding by an individual or legal person resident for tax purposes in Norway or connected to a Norwegian business below 50% - the Shares or interests therein to be sold being firstly those held by holders who failed to comply with the above notification requirement, and thereafter those that were acquired most recently by the Shareholders.

Notwithstanding anything else to the contrary in the Bye-Laws, shares that are listed or admitted to trading on an Appointed Stock Exchange may be transferred in accordance with the rules and regulations of such exchange. All transfers of uncertificated shares shall be made in accordance with and be subject to the facilities and requirements of the transfer of title to shares in that class by means of the VPS or any other relevant system concerned and, subject thereto, in accordance with any arrangements made by the Board of Directors in accordance with the Bye-Laws. The Board of Directors may in its absolute discretion refuse to register the transfer of a share that is not fully paid. The Board of Directors may also refuse to recognize an instrument of transfer of a share unless it is accompanied by the relevant share certificate (if one has been issued) and such other evidence of the transferor's right to make the transfer as the Board of Directors shall reasonably require. Pursuant to the Bye-Laws, if the Board of Directors is of the opinion that a transfer may breach any law or requirement of any authority or any stock exchange or quotation system upon which any of the Company's common shares are listed (from time to time), then registration of the transfer shall be declined until the Board of Directors receives satisfactory evidence that no such breach would occur. Subject to these restrictions and any other restrictions in the Bye-Laws and to the Bermuda Companies Act and applicable United States laws (including, without limitation, the U.S. Securities Act and related regulations, a holder of Shares may transfer the title to all or any of his Shares by completing an instrument of transfer in the usual

common form or in such other form as the Board of Directors may approve. The instrument of transfer must be signed by the transferor and, in the case of a share that is not fully paid, the transferee. The Board of Directors may also implement arrangements in relation to the evidencing of title to and the transfer of uncertified shares.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust. The Company will take no notice of any trust applicable to any of the Shares, whether or not the Company has been notified of such trust.

#### *15.14.11 Disclosure of material interest*

The Bye-Laws provide that, where the requirements of the Oslo Stock Exchange require any person acquiring or disposing of an interest in the Shares to give notification of such change in interest, such person must immediately notify the registrar appointed by the Company of the acquisition or disposal and of its resulting interest, following which, the registrar appointed by the Company will notify the Oslo Stock Exchange. If a person fails to provide such notification, the Board of Directors shall require the registrar appointed by the Company to serve the person with notice, requiring compliance with the notification requirements and inform him or her that pending such compliance the registered holder of the Shares shall have suspended its entitlement to vote, exercise other rights attaching to the Shares and receive payment of income or capital.

For more information on disclosure obligations under Norwegian law see Section 16.7 "Disclosure obligations".

#### *15.14.12 Amalgamations and mergers*

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation or merger agreement to be approved by the company's board of directors and by its shareholders. Unless the bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation or merger agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. The Bye-Laws provide that any such amalgamation or merger must be approved by the affirmative vote of at least a majority of the votes cast at a general meeting of the Company at which the quorum shall be two shareholders present in person or by proxy and entitled to vote (whatever the number of shares held by them).

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the relevant general meeting of shareholders, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

#### *15.14.13 Shareholder suits*

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

The Bye-Laws contain a provision by virtue of which the Shareholders waive any claim or right of action that they have, both individually and on the Company's behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer.

#### *15.14.14 Capitalization of profits and reserves*

Pursuant to the Bye-Laws, the Board of Directors may (i) capitalize any amount for the time being standing to the credit of the Company's share premium or other reserve accounts or any amount credited to the Company's profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata to the shareholders; or (ii) capitalize any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in full, partly paid or nil paid shares of those shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

#### *15.14.15 Access to books and records and dissemination of information*

Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies. These documents include the Company's memorandum of association (including its objects and powers) and certain alterations to the Company's memorandum of association. The members of the Company have the additional right to inspect the Bye-Laws, minutes of general meetings and the Company's audited financial statements (unless such requirement is waived in accordance with the Bye-Laws and the Bermuda Companies Act), which must be presented to the annual general meeting. The register of members of the Company is also open to inspection by Shareholders and by members of the general public without charge. Except when the register of members is closed under the provisions of the Bermuda Companies Act, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by advertisement in an appointed newspaper close the register of members for any time or times not exceeding in the whole thirty days in a year.

Subject to the provisions of the Bermuda Companies Act, a company is required to maintain its register of members in Bermuda. A company with its shares listed on an Appointed Stock Exchange or which has had its shares offered to the public pursuant to a prospectus filed in accordance with the Bermuda Companies Act, or which is subject to the rules or regulations of a competent regulatory authority, may keep in any place outside Bermuda, one or more branch registers after giving written notice to the Bermuda Registrar of Companies of the place where each such register is to be kept. Any branch register of members established by the aforementioned is subject to the same rights of inspection as the register of members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part thereof which must be provided within 14 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Act.

A company is required to keep a register of directors and officers at its registered office and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Act. A company is also required to file with the Bermuda Registrar of Companies a list of its directors to be maintained on a register, which register will be available for public inspection subject to such conditions as the Bermuda Registrar of Companies may impose and on payment of such fee as may be prescribed.

Where a company, the shares of which are listed on an Appointed Stock Exchange, sends its summarized financial statements to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarized financial statements) must be made available for inspection by the public at the company's registered office. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

In addition, the Bye-Laws require that the Company provide each of the Investors (as defined in the Bye-Laws) certain financial reports and other information, unless such Investor notifies the Company otherwise, and provide certain investors with certain additional inspection rights and access to Management.

#### *15.14.16 Winding-up*

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors (including contingent or prospective creditors) or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, the company shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up thereof.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be deemed a "members' voluntary winding up". In any case where such declaration has not been made, the winding up will be deemed a "creditors' voluntary winding up".

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator is at any time of the opinion that the company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up via a members' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account, and giving any explanation thereof. This final general meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the meeting the liquidator shall notify the Bermuda Registrar of Companies that the company has been dissolved and the Registrar shall record that fact in accordance with the Bermuda Companies Act.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of the creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, the company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company and distributing the assets of the company, provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the members shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' voluntary winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year.

As soon as the affairs of the company are fully wound up via a creditors' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before the meetings, and giving any explanation thereof. Each such meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Bermuda Registrar of Companies a copy of the account and make a return to him in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Bermuda Registrar of Companies of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

#### *15.14.17 Indemnification of Directors and officers*

Section 98 of the Bermuda Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from

fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Bermuda Companies Act.

The Company has adopted provisions in the Bye-Laws that provide that the Company shall indemnify its officers and directors of their actions and omissions to the fullest extent permitted by Bermuda law. The Bye-Laws provide that the Shareholders shall waive all claims or rights of action that they might have, individually or in right of the Company, against any of the Company's directors or officers for any act or failure to act in the performance of such director's or officer's duties, except in respect of any fraud or dishonesty of such director or officer. Section 98A of the Bermuda Companies Act permits the Company to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not the Company may otherwise indemnify such officer or director.

#### *15.14.18 Compulsory acquisition of shares held by minority Shareholders*

An acquiring party is generally able to acquire compulsorily the common shares of a minority shareholder of a Bermuda company in the following ways:

By procedure under the Bermuda Companies Act known as a "scheme of arrangement". A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of common shares, representing in the aggregate a majority in number and at least 75% in value of the common shareholders present and voting at a court ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Bermuda Supreme Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Bermuda Registrar of Companies, all holders of common shares could be compelled to sell their common shares under the terms of the scheme of arrangement.

If the acquiring party is a company it may compulsorily acquire all the shares of the target company, by acquiring pursuant to a tender offer 90% of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90% or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, required by notice any non-tendering shareholder to transfer its shares on the same terms as the original offer. In those circumstances, non-tendering shareholders will be compelled to sell their shares unless the Supreme Court of Bermuda (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise.

Where the acquiring party or parties hold not less than 95% of the shares or class of shares of the company, such holder(s) may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

#### *15.14.19 Certain provisions of Bermuda law*

The Company has been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows the Company to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on its ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of its common shares. The Bermuda Monetary Authority has given its consent for the issue and free transferability of all of its common shares from and/or to non-residents and residents of Bermuda for exchange control purposes, provided its shares remain listed on an Appointed Stock Exchange, which includes the NYSE and the Oslo Stock Exchange. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to the Company's performance or creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default

of the Company's business or for the correctness of any opinions or statements expressed in this Prospectus. Certain issues and transfers of common shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder and if the Board of Directors so determines, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust. Except as ordered by a court of competent jurisdiction or as required by law or the Bye-Laws, the Company will take no notice of any trust applicable to any of its common shares, whether or not it has been notified of such trust.



## 16 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. The summary does not purport to be a comprehensive description of securities trading in Norway. Shareholders who wish to clarify the aspects of securities trading in Norway should consult with and rely upon their own advisors.

### 16.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As of 31 December 2017, the total capitalization of companies listed on the Oslo Stock Exchange amounted to approximately NOK 2,512 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalization as at 31 December 2017 amounted to approximately 38.3%.

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, inter alia, trading systems for equities, fixed income and derivatives.

### 16.2 Trading and settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16.20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in the VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly-owned subsidiary of ASASIX x-clear AG, a company in the SIX group, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an European Economic Area ("EEA") member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

### 16.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

#### **16.4 The VPS and transfer of shares**

The VPS maintains a branch register in addition to the principal share register of the Company maintained at the registered office of the Company in Bermuda pursuant to the provisions of the Bermuda Companies Act. Bermuda law permits the transfer of shares listed or admitted to trading on the Oslo Stock Exchange to be effected in accordance with the rules of the Oslo Stock Exchange (provided that it remains an Appointed Stock Exchange). Accordingly, the title to the Shares will be evidenced and transferred without a written instrument by the VPS in accordance with the Bye-Laws, provided that they are listed or admitted to trading on the Oslo Stock Exchange. The VPS is the Norwegian paperless centralized securities register. It is a computerized book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerized book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being Norway's central bank), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

#### **16.5 Shareholder register – Norwegian law**

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in the VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot not vote in general meetings on behalf of the beneficial owners.

#### **16.6 Foreign investments in shares listed in Norway**

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

### **16.7 Disclosure obligations**

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

### **16.8 Insider trading**

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

### **16.9 Mandatory offer requirement**

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares

which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

#### **16.10 Foreign exchange controls**

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of the Shares to and between residents and non-residents of Bermuda for exchange control purposes provided that the Shares are listed on the Oslo Stock Exchange. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to the Company's performance or its creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinions or statements expressed in this Prospectus. Certain issues and transfers of Shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

The Company has been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows the Company to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to non-residents who are holders of Shares.

## 17 TAXATION

Set out below is a summary of certain Bermuda, Norwegian and United States tax matters related to an investment in the Company. The summary regarding Bermuda, Norwegian and United States taxation are based on the laws in force in Bermuda, Norway and the United States as of the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares. Shareholders who wish to clarify their own tax situation should consult and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or Non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

### 17.1 Bermuda taxation

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of the Shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Company or to any of the Company's operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by the Company in Bermuda.

### 17.2 Norwegian taxation

#### 17.2.1 Taxation of dividends

##### Norwegian Personal Shareholders

Dividends received by shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable in Norway for such shareholders at an effective tax rate of 30.59% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.33 which are then included as ordinary income taxable at a flat rate of 23%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 30.59%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a risk free interest rate based on the effective rate of interest on treasury bills (*Nw.: statskasserveksler*) with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realization, of the same share. Any excess allowance will also be included in the basis for calculating the allowance the following years.

##### Norwegian Corporate Shareholders

Dividends distributed by companies resident in Bermuda for tax purposes, including dividends from the Company, received by Norwegian shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are taxable as ordinary income in Norway for such shareholders at a flat rate currently of 23%.

**Non-Norwegian Shareholders**

As a general rule, dividends received by Non-Norwegian shareholders from shares in Non-Norwegian companies are not subject to Norwegian taxation unless the Non-Norwegian shareholder holds the shares in connection with the conduct of a trade or business in Norway.

*17.2.2 Taxation of capital gains on realization of shares***Norwegian personal shareholders**

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realized by Norwegian Personal Shareholders is currently 30.59%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.33 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 23%, increasing the effective tax rate on gains/losses realized by Norwegian Personal Shareholders to 30.59%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 17.2.1 "Taxation of dividends" above, under the sub-headline "Norwegian Personal Shareholders", for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

The Shares will not qualify for Norwegian share saving accounts (*Nw.: aksjesparekonto*) held by Norwegian Personal Shareholders since the Company is resident outside the European Economic Area for tax purposes.

**Norwegian Corporate Shareholders**

A capital gain or loss derived by a Norwegian Corporate Shareholder from a disposal of shares in the Company is taxable or tax deductible in Norway. The taxable gain/deductible loss per share is calculated as the difference between the consideration for the share and the Norwegian Corporate Shareholder's cost price of the Share, including costs incurred in relation to the acquisition or disposal of the share. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. Ordinary income is taxable at a rate of 23%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

If the Norwegian Corporate Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

**Non-Norwegian Shareholders**

As a general rule, capital gains generated by Non-Norwegian Shareholders are not taxable in Norway unless the Non-Norwegian Shareholder holds the shares in connection with the conduct of a trade or business in Norway.

*17.2.3 Taxation of subscription rights***Norwegian Personal Shareholders**

A Norwegian Personal Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

### Norwegian Corporate shareholders

A Norwegian Corporate Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

### Non-Norwegian Shareholders

A Non-Norwegian (Personal or Corporate) Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway.

#### 17.2.4 Controlled Foreign Corporation (CFC) taxation

Norwegian shareholders in the Company will be subject to Norwegian taxation according to the Norwegian Controlled Foreign Corporations regulations (Norwegian CFC-regulations) if Norwegian shareholders directly or indirectly own or control (hereinafter together referred to as "**Control**") the shares of the Company.

Norwegian shareholders will be considered to Control the Company if:

- Norwegian shareholders Control 50% or more of the shares in the Company at the beginning of and at the end of a tax year; or
- If Norwegian shareholders Controlled the Company the previous tax year, the Company will also be considered Controlled by Norwegian shareholders in the following tax year unless Norwegian resident shareholders Control less than 50% of the shares at both the beginning and the end of the following tax year; or
- Norwegian shareholders Control more than 60% of the shares in the Company at the end of a tax year.

If less than 40% of the shares are Controlled by Norwegian shareholders at the end of a tax year, the Company will not be considered Controlled by Norwegian shareholders for Norwegian tax purposes.

Under the Norwegian CFC-regulations Norwegian shareholders are subject to Norwegian taxation on their proportionate part of the taxable net income generated by the Company (and relevant foreign companies of the Group), calculated according to Norwegian tax regulations, regardless of whether or not any dividends are distributed from the Company. Please also refer to Section 2 "Risk factors" for information on risks relating to law, regulation and litigation.

#### 17.2.5 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 80% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 80%).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Non-Norwegian Shareholders are generally not subject to Norwegian net wealth tax. Non-Norwegian personal shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

#### 17.2.6 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

#### 17.2.7 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

## **18 SELLING AND TRANSFER RESTRICTIONS**

The Shares may, in certain jurisdictions, be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this Prospectus shall not constitute an offer for Shares and this Prospectus is for information only and should not be copied or redistributed. Accordingly, if an existing shareholder receives a copy of this Prospectus, the existing shareholder should not distribute or send the same, or transfer the Shares to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an existing shareholder forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the existing shareholder should direct the recipient's attention to the contents of this Section 18 "Selling and transfer restrictions".

The Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, any jurisdiction in which it would not be permissible to offer the Shares and this Prospectus shall not be accessed by any person in any jurisdiction in which it would not be permissible to offer the Shares.

Neither the Company nor its representatives, is making any representation to any purchaser of Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The information set out in this Section 18 "Selling and transfer restrictions" is intended as a general guide only. If you are in any doubt about any of the contents of these restrictions, or whether any of these restrictions apply to you, you should obtain independent professional advice without delay.



## 19 ADDITIONAL INFORMATION

### 19.1 Auditor and advisors

PricewaterhouseCoopers LLP (United Kingdom) (PwC) is the Group's auditor, and has its registered business address at 1 Embankment Place, London, WC2N 6RH, United Kingdom. PwC is registered with the PCAOB. PwC is also a member firm of the Institute of Chartered Accountants in England and Wales (ICAEW). PwC is a third country auditor registered in Norway with Finanstilsynet (the Norwegian FSA).

Advokatfirmaet Thommessen AS (Haakon VII's gate 10, N-0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company in connection with the Listing.

### 19.2 Documents on display

Copies of the following documents will be available for inspection at Seadrill Management's offices at Chiswick Business Park, Building 11, 2nd Floor, 566 Chiswick High Road, London W4 5YS, United Kingdom, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Company's Memorandum of Association and Bye-Laws;
- The Financial Information (i.e. the Group's audited consolidated financial statements (audited by PwC) for the years ended 31 December 2017, 2016 and 2015); and
- This Prospectus.

### 19.3 Incorporation by reference

The information incorporated by reference in this Prospectus should be read in connection with the cross reference table set out below. Except as provided in this Section, no information is incorporated by reference in this Prospectus.

The Company incorporates by reference the Group's audited consolidated financial statements as of and for the years ended 31 December 2017, 2016 and 2015, as well as certain other documents set out below.

Section in the Prospectus	Disclosure requirement	Reference document and link	Page (P) in reference document
Section 10 and 11	Audited historical financial information (Annex XXIII, Section 15.1 and 15.3)	<b>Financial Statements 2017:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=448665&amp;attachmentId=174500&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=448665&amp;attachmentId=174500&amp;obsvc.item=1</a>	F-4 – F-90
Section 10 and 11	Audited historical financial information (Annex XXIII, Section 15.1 and 15.3)	<b>Financial Statements 2016:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=425912&amp;attachmentId=161757&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=425912&amp;attachmentId=161757&amp;obsvc.item=1</a>	F-3 – F-114
Section 10 and 11	Audited historical financial information (Annex XXIII, Section 15.1 and 15.3)	<b>Financial Statements 2015:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=400526&amp;attachmentId=148588&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=400526&amp;attachmentId=148588&amp;obsvc.item=1</a>	F-3 – F-95
Section 10.1	Audit report (Annex XXIII, Section 15.4)	<b>Auditor's report 2017:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=448665&amp;attachmentId=174500&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=448665&amp;attachmentId=174500&amp;obsvc.item=1</a>	F-2 – F-3

---

Section 10.1	Audit report (Annex XXIII, Section 15.4)	<b>Auditor's report 2016:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=425912&amp;attachmentId=161757&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=425912&amp;attachmentId=161757&amp;obsvc.item=1</a>	F-2
<hr/>			
Section 10.1	Audit report (Annex XXIII, Section 15.4)	<b>Auditor's report 2015:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=400526&amp;attachmentId=148588&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=400526&amp;attachmentId=148588&amp;obsvc.item=1</a>	F-2
<hr/>			
Section 10.2	Accounting policies (Annex I, Section 20.1)	<b>Accounting principles:</b> <a href="https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=448665&amp;attachmentId=174500&amp;obsvc.item=1">https://newsweb.oslobors.no/obsvc/attachment.obsvc?messageId=448665&amp;attachmentId=174500&amp;obsvc.item=1</a>	F-11s

**20 DEFINITIONS AND GLOSSARY**

ABS.....	The American Bureau of Shipping.
Ad Hoc Group.....	An ad hoc group of holders of unsecured bonds.
Adjusted EBITDA.....	Operating income plus depreciation and amortization plus gains and losses on disposals plus loss on impairments against long-lived assets.
AOD.....	Asia Offshore Drilling Limited.
Appointed Stock Exchange.....	An appointed stock exchange as such term is defined in the Bermuda Companies Act.
Appropriate Channels for Distribution.....	All distribution channels as are permitted by MiFID II.
ASC 852.....	ASC 852-Reorganization.
Bankruptcy Code.....	Title 11 of the United States Code.
Bankruptcy Court.....	The U.S. Bankruptcy Court for the Southern District of Texas, Victoria Division.
Barclays.....	Barclays Bank PLC.
Bermuda Companies Act.....	The Companies Act 1981, as amended, of Bermuda.
Bermuda Registrar of Companies.....	The registrar of companies in Bermuda.
Board of Directors.....	The board of directors of the Company.
BOEM.....	The U.S Bureau of Ocean Energy Management.
BOEMRE.....	The Bureau of Ocean Energy Management, Regulation and Enforcement (formerly the Minerals Management Service of the U.S. Department of the Interior).
BOPs.....	Blow-out preventers.
BSEE.....	The U.S Department of the Interior, U.S Bureau of Safety and Environmental Enforcement.
Bunker Convention.....	The International Convention on Civil Liability for Bunker Oil Pollution Damage.
Bye-Laws.....	The Company's bye-laws attached hereto as Appendix A.
BWM Convention.....	The International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004.
CAA.....	The U.S. Clean Air Act.
CAATSA.....	The Countering America's Adversaries Through Sanctions Act (Public Law 115-44).
Capital Commitment.....	The Commitment Parties commitment to provide USD 1.06 billion in new cash commitments, subject to certain terms and conditions.
CET.....	Central European Time.
CERCLA.....	The U.S. Comprehensive Environmental Response, Compensation and Liability Act.
Chapter 11 Proceedings.....	The Debtor's prearranged reorganization proceedings under Chapter 11 of the Bankruptcy Code, entered into on 12 September 2017, to implement the transactions contemplated by the RSA and Investment Agreement.
CIRR.....	Commercial interest reference rate.
CISADA.....	The Comprehensive Iran Sanctions Accountability and Divestment Act.
CLC.....	The IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended.
Committee.....	The official committee of unsecured creditors.
Company.....	Seadrill Limited (the Successor).
Company Parties.....	Old Seadrill's consolidated subsidiaries NADL and Sevan Drilling, together with certain other of its consolidated subsidiaries also entered into the RSA together with Old Seadrill.
Computershare.....	Computershare Trust Company, N.A.
Confirmation Date.....	17 April 2018.
Consenting Stakeholders.....	A Group of bank lenders, bondholders, certain other stakeholders, and new-money providers who on 12 September 2017 entered into the RSA.
Control.....	Direct or indirect ownership or control over shares of the Company.
Corporate Governance Code.....	The Norwegian Code of Practice for Corporate Governance last updated 30 October 2014.
CWA.....	The U.S. Clean Water Act.
Debtors.....	Seadrill and certain of its subsidiaries which filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court.
DCF.....	Discontinued cash flow.

Director or Directors .....	A member or the members of the Board of Directors.
DNV GL .....	Det Norske Veritas and Germanisher Lloyd.
DSME .....	Daewoo Shipbuilding & Marine Engineering Co., Ltd.
EEA .....	The European Economic Area.
ECA .....	Export Credit Agency.
ECAs .....	Emission Control Areas.
Effective Date .....	the date of the Debtors' emergence from bankruptcy proceedings in accordance with the terms and conditions of the Plan (being 2 July 2018);
EPA .....	the Environmental Protection Agency.
Equity Rights Offering .....	A rights offering of up to USD 48.1 million in value of common shares of Seadrill.
ESAs .....	Emission Control Areas.
EU .....	The European Union.
EU Prospectus Directive .....	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State.
EUR .....	The lawful common currency of the EU member states who have adopted the Euro as their sole national currency.
E&P .....	Exploration and Production.
FCPA .....	The U.S. Foreign Corrupt Practices Act of 1977.
Financial Statements .....	The Group's audited consolidated financial statements as of and for the years ended 31 December 2017, 2016 and 2015.
Frontline .....	Frontline Management (Bermuda) Ltd.
FSMA .....	The Financial Services and Markets Act 2000.
GBP .....	British pound, the lawful currency of the United Kingdom.
Golden Triangle .....	The Gulf of Mexico, Brazil and West Africa collectively.
Group .....	Since the Effective Date, the Company together with its consolidated subsidiaries and for the period prior to the Effective Date, Old Seadrill together with its consolidated subsidiaries.
Hemen .....	Hemen Holding Limited, a Cyprus holding company with registration number HE87804 and Hemen Investments Limited, a Cyprus holding company with registration number HE371665, and any other holder of common shares included in this prospectus that are either wholly-owned by a trust or directly or indirectly by John Fredriksen.
IAEA .....	The International Atomic Energy Agency.
IDRs .....	Incentive distribution rights.
IEA .....	International Energy Agency.
IHCo .....	A new wholly owned intermediate company as a subsidiary of Seadrill.
IMO .....	The United Nation's International Maritime Organization.
Investment Agreement .....	The agreement dated 12 September 2017 among the Company, certain of its wholly and partially owned subsidiaries, certain senior secured lenders, certain bond holders, and certain new money providers.
Iran Threat Reduction Act .....	The Iran Threat Reduction and Syria Human Rights Act of 2012.
IRS .....	The United States Internal Revenue Service.
ISM Code .....	The International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention.
JCPOA .....	The Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program.
JPOA .....	The "Joint Plan of Action", an interim agreement entered into between the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) and Iran on 24 November 2013.
Listing .....	The listing of the shares in Seadrill on the Oslo Stock Exchange.
Management .....	The Company's senior management team.
MARPOL .....	The International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended.
MEPC .....	The IMO's Maritime Environment Protection Committee.

Metrogas .....	Metrogas Holding Inc.
MiFID II .....	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements .....	Means the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures.
mmbpd .....	million barrels of oil per day.
MODU Code .....	The Code for the Construction and Equipment of Mobile Offshore Drilling Units.
MODUs .....	Mobile Offshore Drilling Units.
Monte Carlo Model .....	The Monte Carlo simulation method.
MTSA .....	The U.S. Maritime Transportation Security Act of 2002.
NADL .....	North Atlantic Drilling Limited.
Negative Target Market .....	Investors looking for full capital protection or full repayment of the amount invested in the Shares or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile.
Seadrill .....	The Company.
New Secured Notes .....	the USD 880 million aggregate principal amount of 12% Senior Secured Notes due 2025 issued by NSNCo in connection with the Reorganization.
NOK .....	Norwegian Kroner, the lawful currency of Norway.
Norwegian FSA .....	The Financial Supervisory Authority of Norway ( <i>Nw.: Finanstilsynet</i> ).
Norwegian Corporate Shareholders .....	Norwegian shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes.
Norwegian Personal Shareholders .....	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Securities Trading Act .....	The Norwegian Securities Trading Act of 29 June 2007 no. 75.
Notes Rights Offering .....	A rights offering of up to USD 119.4 million in principal amount of the New Secured Notes.
NSN .....	The New Secured Notes.
NSNCo .....	Seadrill New Finance Limited, a company incorporated under the Laws of Bermuda with registration number 53541, formed in connection with the Reorganization and the issuer of New Secured Notes.
NYSE .....	The New York Stock Exchange.
OCSLA .....	The U.S. Outer Continental Shelf Lands Act.
OFAC .....	The U.S. Office of Foreign Assets Control.
Old Seadrill .....	The Company's predecessor Seadrill Limited, a company in which the economic interests in its shares were extinguished on the Effective Date with registration number 36832.
OPA .....	The U.S. Oil Pollution Act of 1990.
OPEC .....	Organization of Petroleum Exporting Countries.
Oslo Stock Exchange .....	Oslo Børs, a Norwegian stock exchange operated by Oslo Børs ASA.
PCAOB .....	The Public Company Accounting Oversight Board (United States).
Petition Date .....	Being 12 September 2017, the date on which the Chapter 11 cases were commenced.
Petrobras .....	Petróleo Brasileiro S.A.
PFIC .....	Passive foreign investment company.
Plan .....	The Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, as confirmed by the Bankruptcy Court on 17 April 2018.
Polaris business .....	The entities that owned and operated the West Polaris.
Positive Target Market .....	An end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II.
Predecessor .....	Old Seadrill together with its consolidated subsidiaries prior to the Effective Date.
Primary Structuring Fee .....	A fee equal to 5 % of the Seadrill Common Shares issued to Hemen on the Effective Date pursuant to the Investment Agreement, subject to dilution by the shares reserved for the Company's employee incentive plan.
Pro Forma Financial Statements .....	The unaudited pro forma condensed consolidated financial statements included herein in Section 11.
Prospectus .....	This prospectus dated 25 July 2018.

PwC .....	PricewaterhouseCoopers LLP (United Kingdom).
P5+1 .....	The United States, United Kingdom, Germany, France, Russia and China.
Registrable Securities .....	The common shares held by the Commitment Parties (as defined in the Bye-Laws) and certain other recipients of the Company's common shares).
Regulation S .....	Regulation S under the U.S. Securities Act.
Reorganization .....	The transactions described under the subheading 5 "The Chapter 11 Reorganization" and those transactions contemplated by the Plan.
Revenue Code .....	The United States Internal Revenue Code of 1986.
RigCo .....	A new wholly owned intermediate holding company as a subsidiary of IHCo.
RSA .....	The restructuring support and lock-up agreement entered into between Old Seadrill and the Consenting Stakeholders on 12 September 2017.
Samsung .....	Samsung Heavy Industries Co., Ltd.
Seabras Sapura .....	Seabras Sapura Participacoes SA. and Seabras Sapura Holding GmbH.
Seadrill .....	The Company.
Seadrill Management .....	Seadrill Management Ltd.
Seadrill Operating .....	Seadrill Operating LP.
SeaMex .....	SeaMex Limited.
Seatankers .....	Seatankers Management Norway AS.
SEC .....	U.S. Securities and Exchange Commission.
SEMS or SEMS II .....	Safety and environmental management systems.
Sevan Drilling or Sevan .....	Sevan Drilling Limited.
Share(s) .....	The common shares in the Company.
Ship Finance .....	Ship Finance International Limited.
SFL .....	Ship Finance International Limited.
SOLAS .....	The International Convention for the Safety of Life at Sea of 1974, as from time to time amended.
Successor .....	The Company.
Target Market Assessment .....	The Positive Target Market and the Negative Target Market jointly.
The Facilities Regulations .....	The Norwegian Regulations Relating to Design and Outfitting of Facilities, etc. in the Petroleum Activities 2017.
The Framework Regulations .....	The Norwegian Regulations relating to Health Safety and the Environment in the Petroleum Activities and at Certain Onshore Facilities 2017.
The Management Regulations .....	The Norwegian Regulations Relating to Management and the Duty to Provide Information in the Petroleum Activities and at Certain Onshore Facilities 2017.
U.K. Bribery Act .....	The Bribery Act 2010 of the United Kingdom.
U.S. GAAP .....	Generally accepted accounting principles in the United States of America.
U.S. or the United States .....	The United States of America.
U.S. Securities Exchange Act .....	The United States Exchange Act of 1934, as amended.
U.S. Securities Act .....	The United States Securities Act of 1933, as amended.
USD or U.S. dollar .....	United States Dollars, the lawful currency of the United States of America.
VIes .....	Variable interest entities which are certain subsidiaries consolidated into the Group's financial statements.
VPS .....	The Norwegian Central Securities Depository ( <i>Nw.: Verdipapirsentralen</i> ).

**APPENDIX A:**

**BYE-LAWS OF SEADRILL LIMITED**

**BYE - LAWS**

**of**

**Seadrill Limited**

I HEREBY CERTIFY that the within-written Bye-Laws are a true copy of the Bye-Laws of **Seadrill Limited** as adopted on 2 July 2018 pursuant to a written resolution of the above Company.

  
Secretary





## CONTENTS

INTERPRETATION.....	1
REGISTERED OFFICE.....	8
SHARES .....	8
SHARE RIGHTS .....	8
MODIFICATION OF RIGHTS .....	10
POWER TO PURCHASE OWN SHARES .....	10
CERTIFICATES.....	11
LIEN.....	12
CALLS ON SHARES.....	13
FORFEITURE OF SHARES .....	13
REGISTER OF SHAREHOLDERS.....	15
REGISTER OF DIRECTORS AND OFFICERS .....	15
TRANSFER OF SHARES.....	15
TRANSMISSION OF SHARES.....	19
DISCLOSURE OF MATERIAL INTERESTS .....	20
INCREASE OF CAPITAL .....	21
ALTERATION OF CAPITAL.....	22
REDUCTION OF CAPITAL.....	23
GENERAL MEETINGS AND WRITTEN RESOLUTIONS .....	24
NOTICE OF GENERAL MEETINGS .....	25
PROCEEDINGS AT GENERAL MEETING .....	26
VOTING .....	27
PROXIES AND CORPORATE REPRESENTATIVES .....	29
APPOINTMENT AND REMOVAL OF DIRECTORS.....	31

RESIGNATION, REMOVAL AND DISQUALIFICATION OF DIRECTORS .....	34
ALTERNATE DIRECTORS .....	35
DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES .....	36
DIRECTORS' INTERESTS .....	37
POWERS AND DUTIES OF THE BOARD .....	38
DELEGATION OF THE BOARD'S POWERS AND COMMITTEES .....	39
PROCEEDINGS OF THE BOARD .....	40
OFFICERS .....	43
CONFIDENTIALITY AND EXTERNAL COMMUNICATIONS .....	44
MINUTES .....	44
SECRETARY AND RESIDENT REPRESENTATIVE .....	44
THE SEAL .....	45
DIVIDENDS AND OTHER PAYMENTS .....	45
RESERVES .....	47
CAPITALIZATION OF PROFITS .....	47
RECORD DATES .....	47
ACCOUNTING RECORDS - INFORMATION .....	48
AUDIT .....	48
ACCESS TO MANAGEMENT AND INFORMATION RIGHTS .....	49
SERVICE OF NOTICES AND OTHER DOCUMENTS .....	50
WINDING UP .....	51
INDEMNITY .....	52
ALTERATION OF BYE-LAWS .....	53

## INTERPRETATION

1. In these Bye-Laws unless the context otherwise requires-

- “**Ad Hoc Group Parties**” means: (a) collectively, beneficial owners (or investment advisors, sub-advisors or managers acting on behalf of such beneficial owners) of Unsecured Notes Claims (as defined in the Plan) and/or one or more of their respective Affiliates, related funds, managed accounts and/or designees, in each case that are represented by Stroock & Stroock & Lavan LLP as at the Plan Effective Date and are signatories to the Investment Agreement; or (b) any Affiliate of a person defined in (a) which is a successor in title to that person;
- “**Affiliate**” has the meaning given to it in the Investment Agreement;
- “**Barclays**” means the Distressed Trading Desk of Barclays Bank PLC;
- “**Bermuda**” means the Islands of Bermuda;
- “**Board**” means the Board of Directors of the Company or the Directors present at a meeting of Directors at which there is a quorum;
- “**Branch Register**” means a branch of the Register kept pursuant to the Principal Act;
- “**Bye-Laws**” means these Bye-Laws in their present form or as from time to time amended;
- “**Business Day**” means a day on which banks are open for the transaction of general banking business in each of Oslo, Norway, New York, USA and Hamilton, Bermuda;
- “**Centerbridge**” means Centerbridge Credit Partners L.P. and its Affiliates that are signatories to the Investment Agreement;
- “**Centerbridge Director**” means a person appointed by Centerbridge to the Board as an Independent Director;
- “**Chairman**” means the chairman of the Board, howsoever appointed;
- “**Commission**” means the United States Securities and Exchange Commission;
- “**Company**” means Seadrill Limited, the company incorporated in Bermuda with registration number 53439 under the name New SDRL Limited, and which



changed its name to Seadrill Limited on 2 July 2018, for which these Bye-Laws are adopted;

- “**Company Parties**” has the meaning given to that term in the RSA;
- “**Corporate Director**” means a Director which is not a natural person, whether incorporated, unincorporated or otherwise;
- “**Companies Acts**” means every Bermuda statute from time to time in force concerning companies insofar as the same applies to the Company;
- “**Director**” means a member of the Board appointed in accordance with these Bye-Laws;
- “**Electronic Transactions Act**” means the Electronic Transactions Act 1999 of Bermuda;
- “**Employees’ Share Scheme**” means a scheme established pursuant to Bye-Law 117 for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of:
  - (a) the Directors and Officers of the Company (whether employees or not);
  - (b) the bona fide employees or former employees of the Company or any Subsidiary of the Company; or
  - (c) the wives, husbands, widows, widowers or children or step-children under the age of 18 of such employees or former employees;
- “**Equity Commitment**” has the meaning given to that term in the Investment Agreement;
- “**Equity Securities**” means common shares in the Company;
- “**Exchange Act**” means the United States Securities Exchange Act of 1934 (or any successor statute, and the rules and regulations promulgated by the Commission thereunder);
- “**Extraordinary Resolution**” means a resolution passed by a majority of not less than two-thirds of the votes cast at a general meeting of the Company;
- “**Guarantors**” has the meaning given to it in the Notes Indenture;

- “**Hemen**” means Hemen Holding Limited, a Cyprus holding company with registration number HE87804 and Hemen Investments Limited, a Cyprus holding company with registration number HE371665, and any other holder of Equity Securities that is either wholly-owned by a Trust or directly or indirectly owned by John Fredriksen;
- “**Hemen Director**” means a person appointed by Hemen to the Board as a Director;
- “**IHCo**” means Seadrill Investment Holding Company Limited, a company incorporated under the laws of Bermuda with registration number 53437;
- “**Independent Director**” means a Director that is: (i) independent within the meaning of Rule 10A-3 under the Exchange Act; and (ii) independent within the meaning of the listing standards of the New York Stock Exchange and the Oslo Stock Exchange rules and regulations;
- “**Independent Nominee**” means a person appointed by Hemen to the Board who shall not be a related party of Hemen or otherwise connected with Hemen and shall be an Independent Director, subject to the provisions of these Bye-Laws;
- “**Initial Centerbridge Investment**” means the Equity Commitment held by Centerbridge in the Equity Securities of the Company at Closing (as such term is defined in the Investment Agreement);
- “**Initial Select Commitment Parties Investment**” means the Equity Commitment held by the Select Commitment Parties in the Equity Securities at Closing (as such term is defined in the Investment Agreement);
- “**Investment Agreement**” means the investment agreement made by and among Seadrill Limited, the other Company Parties, and the Commitment Parties (as such terms are defined therein), dated 12 September 2017, as amended on 12 October 2017, as further amended on 26 February 2018 pursuant to that certain Amendment, Assignment and Joinder Agreement in Respect of Investment Agreement;
- “**Investors**” means each of Hemen, Centerbridge, Barclays and each of the Select Commitment Parties and each of the Ad Hoc Group Parties, and “**Investor**” shall mean any one of them;
- “**Investor Appointed Director**” means each Hemen Director, Independent Director, Centerbridge Director, Select Commitment Parties’ Director and Joint

Designee Director, provided, however, that any such Director shall cease to be an Investor Appointed Director at such time as such Director becomes subject to re-election by Ordinary Resolution pursuant to Bye-Law 103;

· **“Joint Designee Director”** means a person appointed to the Board by mutual agreement of Hemen, Centerbridge and the Select Commitment Parties (with each party’s consent not to be unreasonably withheld) as an Independent Director;

· **“Listing Exchange”** means any stock exchange or quotation system upon which any of the shares of the Company are listed from time to time;

· **“New Commitment Parties”** means each of the Ad Hoc Group Parties and Barclays;

· **“Notes”** has the meaning given to that term in the Notes Indenture;

· **“Notes Indenture”** means the 2025 Notes Indenture dated 2 July 2018 by and among NSNCo as the issuer, the Company as Guarantor, the other Guarantors party thereto and Deutsche Bank Trust Company Americas as Trustee, Principal Paying Agent, Transfer Agent and Registrar (as each such term is therein defined);

· **“NSNCo”** means Seadrill New Finance Limited, a company incorporated under the laws of Bermuda with registration number 53451;

· **“Officer”** means an officer of the Company appointed in accordance with these Bye-Laws;

· **“Ordinary Resolution”** means a resolution passed by a simple majority of votes cast at a general meeting of the Company;

· **“paid up”** means paid up or credited as paid up;

· **“Percentage Interest”** means, with respect to any Shareholder, the percentage that Shareholder owns of the total issued and outstanding Equity Securities owned by all Shareholders at the relevant time;

· **“Plan”** means the joint chapter 11 plan of reorganization filed by Seadrill Limited and certain Company Parties, as defined in the RSA, pursuant to title 11 of the United States Code, 11 U.S.C. §101-1532, as amended;

· **“Plan Effective Date”** means the effective date of the Plan;



- “**Principal Act**” means the Companies Act 1981 of Bermuda;
- “**Register**” means the Register of Shareholders of the Company (or, as applicable, a Branch Register) kept in physical form at the Registered Office (or, as applicable, another Registration Office in the case of a Branch Register) and maintained at all times in accordance with the Principal Act;
- “**Registered Office**” means the registered office for the time being of the Company;
- “**Registrar**” means Nordea Bank AB (publ), filial i Norge acting through its Registrar Department, or such other person or body corporate who may from time to time be appointed by the Board in place of Nordea Bank AB (publ), filial i Norge as branch registrar of the Company with responsibility to maintain the VPS Register;
- “**Registration Office**” means the place where the Board may from time to time determine to keep the Register and/or a Branch Register and where (except in cases where the Board otherwise directs) the transfer and documents of title are to be lodged for registration;
- “**Resident Representative**” means any person appointed to act as the resident representative of the Company and includes any deputy or assistant resident representatives;
- “**RigCo**” means Seadrill Rig Holding Company Limited, a company incorporated under the laws of Bermuda with registration number 53436;
- “**RSA**” means the restructuring support and lock-up agreement (including all exhibits, annexes and schedules thereto) entered into on 12 September 2017, by and among Seadrill Limited, North Atlantic Drilling Limited, Sevan Drilling Limited, certain of their respective direct and indirect subsidiaries, and certain lenders, amongst others, as amended on 26 February 2018 pursuant to that certain Amendment, Stipulation and Joinder Agreement in Respect of Restructuring Support and Lock-Up Agreement;
- “**Seal**” means the common seal of the Company and includes any duplicate thereof;
- “**Secretary**” includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;

- “**Securities Act**” means the U.S. Securities Act of 1933, or any successor statute, and the rules and regulations promulgated by the Commission thereunder;
- “**Select Commitment Parties**” means, collectively, certain funds and/or accounts that are managed, advised or sub-advised by each of Aristeia Capital L.L.C., GLG Partners LP, Saba Capital Management LP and Whitebox Advisors, LLC or such person’s Affiliate(s), in each case, that are signatories to the Investment Agreement;
- “**Select Commitment Parties’ Director**” means a person appointed by the Select Commitment Parties to the Board as an Independent Director;
- “**Shareholder**” means a shareholder of the Company;
- “**Specified Time**” has the meaning set forth in Bye-Law 103;
- “**Subsidiary**” means, in relation to the Company, any corporation, partnership, joint venture or other legal entity in or over which the Company (either alone or through or together with any other Subsidiary): (i) owns, directly or indirectly, more than fifty per cent. of the shares or other equity interest; (ii) has the power to elect the majority of the board of directors or similar governing body, or otherwise to cast the majority of votes at a meeting of the board of directors or similar governing body; or (iii) has the power to govern the financial and/or operating policies;
- “**Treasury Shares**” means any share of the Company that was acquired and held by the Company, or as treated as having been acquired and held by the Company which has been held continuously by the Company since it was acquired and which has not been cancelled;
- “**Trust**” means any trust created for the benefit of John Fredriksen, his direct lineal descendants and/or the personal estate of any of the aforementioned persons and their estates;
- “**Trustee**” means Deutsche Bank Trust Company Americas, a New York banking corporation;
- “**VPS**” means Verdipapirsentralen ASA, a Norwegian corporation maintaining a computerized central share registry in Oslo, Norway, for bodies corporate whose shares are listed for trading on the Oslo Stock Exchange, and includes any successor registry; and



“**VPS Register**” means the Branch Register kept in Oslo, Norway, or the register of beneficial interests in shares of the Company maintained through VPS, as applicable.

For the purpose of these Bye-Laws a body corporate shall be deemed to be present in person if its representative duly authorized pursuant to the Companies Acts is present.

Words importing the singular number also include the plural number and vice versa.

Notwithstanding the foregoing, during periods when the Company has elected or appointed only one Director as permitted by the Companies Acts and these Bye-Laws, references to “the Board” and “the Directors” shall be construed as if they are references to the sole Director of the Company.

The phrase “issued and outstanding” in relation to shares means shares in issue other than Treasury Shares.

Words importing the masculine gender also include the feminine and neuter genders respectively.

Words importing persons also include companies and associations or bodies of persons, whether corporate or unincorporated.

References to writing shall include typewriting, printing, lithography, facsimile, photography and other modes of reproducing or reproducing words in a legible and non-transitory form including electronic transfers by way of e-mail or otherwise and shall include any manner permitted or authorized by the Electronic Transactions Act.

References to an “electronic record” shall be deemed to include any record created, stored, generated, received or communicated by electronic means and includes any electronic code or device necessary to decrypt or interpret such a record.

Unless otherwise defined herein, any words or expressions defined in the Principal Act shall bear the same meaning in these Bye-Laws.

Any reference in these Bye-Laws to any statute or section thereof shall, unless expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

Headings in these Bye-Laws are inserted for convenience of reference only and shall not affect the construction thereof.

Bye-Law 6, sub-paragraphs (b) through (h) of Bye-Law 42, Bye-Law 51 and Bye-Law 57 shall not have effect until such time as the Company's shares are listed on the Oslo Stock Exchange, and these Bye-Laws shall be read and construed accordingly.

### **REGISTERED OFFICE**

2. The Registered Office shall be at such place in Bermuda as the Board shall from time to time appoint.

### **SHARES**

3. Subject to the provisions of these Bye-Laws, the unissued shares of the Company (whether forming part of the original capital or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions as the Board may determine.
4. The Board may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by law.
5. Except as ordered by a court of competent jurisdiction, as required by law or as otherwise provided in these Bye-Laws, no person shall be recognized by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognize (even when having notice thereon) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.
6. With effect from the date of the listing of the Company's shares on the Oslo Stock Exchange, the Company shall not issue shares unless they are fully paid, except as may be prescribed by an Ordinary Resolution.
- 6A. The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

### **SHARE RIGHTS**

7. Subject to the Companies Acts and any special rights conferred on the holders of any other share or class of shares, any share in the Company may be issued with or have



attached thereto such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may by Ordinary Resolution determine.

8. Subject to any Ordinary Resolution to the contrary (and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares), the share capital shall be divided into shares of a single class the holders of which shall, subject to these Bye-laws:
  - (a) be entitled to one vote per share;
  - (b) be entitled to such dividends as the Board may from time to time declare;
  - (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
  - (d) generally be entitled to enjoy all of the rights attaching to shares.
9. Subject to the Companies Acts, any preference shares may, with the sanction of an Ordinary Resolution, be issued on terms:
  - (a) that they are to be redeemed on the happening of a specified event or on a given date; and/or
  - (b) that they are liable to be redeemed at the option of the Company; and/or
  - (c) that they are liable to be redeemed at the option of the holder.

The terms and manner of redemption shall be either as the Company may determine by Ordinary Resolution or, in the event that the Company in general meeting may have so authorized, as the Board or any committee thereof may by resolution determine before the issuance of such shares.

10. At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued shares, other shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee

of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

11. At any time that the Company holds Treasury Shares, all of the rights attaching to the Treasury Shares shall be suspended and shall not be exercised by the Company. Without limiting the generality of the foregoing, if the Company holds Treasury Shares, the Company shall not have any right to attend and vote at a general meeting or sign written resolutions and any purported exercise of such a right shall be void.
12. Except where required by the Principal Act, Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital or shares of the Company.

### **MODIFICATION OF RIGHTS**

13. Subject to the Companies Acts, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than seventy-five per cent. in nominal value of the issued shares of that class or with the sanction of a resolution passed by a majority of seventy-five per cent. of the votes cast at a separate general meeting of the holders of such shares voting in person or by proxy. To any such separate general meeting, all the provisions of these Bye-Laws as to general meetings of the Company shall *mutatis mutandis* apply, but:
  - (a) the necessary quorum at any such meeting shall be two or more persons (or in the event that there is only one holder of the shares of the relevant class, one person) holding or representing by proxy in the aggregate at least one third in nominal value of the shares of the relevant class;
  - (b) every holder of shares of the relevant class present in person or by proxy shall be entitled on a poll to one vote for every such share held by him; and
  - (c) any holder of shares of the relevant class present in person or by proxy may demand a poll.
14. The rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.

### **POWER TO PURCHASE OWN SHARES**

15. The Company shall have the power to purchase its own shares for cancellation.



16. The Company shall have the power to acquire its own shares to be held as Treasury Shares.
17. The Board may exercise all of the powers of the Company to purchase or acquire its own shares, whether for cancellation or to be held as Treasury Shares in accordance with the Principal Act.

### CERTIFICATES

18. The preparation, issue and delivery of certificates shall be governed by the Companies Acts. A person whose name is entered in the Register as the holder of any shares shall be entitled to receive within two months of a demand for same a certificate for such shares under the Seal of the Company or bearing signature of a Director or the Secretary or a person expressly authorized to sign specifying the number and, where appropriate, the class of shares and whether the same are fully paid up and, if not, specifying the amount paid on such shares, as *prima facie* evidence of title of such person to such shares. In the case of a share held jointly by several persons, delivery of a certificate for such share to one of several joint holders shall be sufficient delivery to all.
19. If a share certificate is defaced, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence, indemnity and payment of the costs and out of pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement, on delivery of the old certificate to the Company.
20. All certificates for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall, except to the extent that the terms and conditions for the time being relating thereto otherwise provide, be issued under the Seal (or a facsimile thereof) or bearing signature of a Director or the Secretary or a person expressly authorized to sign. The Board may by resolution determine, either generally or in any particular case, that any signatures on any such certificates need not be autographic but may be affixed to such certificates by mechanical means or may be printed thereon or that such certificates need not be signed by any persons.
21. Notwithstanding any provisions of these Bye-Laws:
  - (a) the Board shall, subject always to the Principal Act and any other applicable laws and regulations and the facilities and requirements of any relevant system concerned, have power to implement any arrangements it may, in its absolute discretion, think fit in relation to the evidencing of title to and transfer of uncertificated shares and to the extent such arrangements are so implemented,

no provision of these Bye-Laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer of shares in uncertificated form; and

- (b) unless otherwise determined by the Board and as permitted by the Principal Act and any other applicable laws and regulations, no person shall be entitled to receive a certificate in respect of any share for so long as the title to that share is evidenced otherwise than by a certificate and for so long as transfers of that share may be made otherwise than by a written instrument.

#### LIEN

- 22. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable, at a date fixed by or in accordance with the terms of issue of such share in respect of such share, and the Company shall also have a first and paramount lien on every share (other than a fully paid share) standing registered in the name of a Shareholder, whether singly or jointly with any other person, for all the debts and liabilities of such Shareholder or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such Shareholder, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person, whether a Shareholder or not. The Company's lien on a share shall extend to all dividends payable thereon. The Board may at any time, either generally or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Bye-Law.
- 23. The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment has been served on the holder for the time being of the share.
- 24. The net proceeds of sale by the Company of any shares on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the Board may authorize some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he



shall not be bound to see to the application of the purchase money nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the sale.

### **CALLS ON SHARES**

25. Subject to Bye-Law 6, the Company may issue shares which are nil paid or partly paid and the Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares (whether on account of the par value of the shares or by way of premium) and not by the terms of issue thereof made payable at a date fixed by or in accordance with such terms of issue, and each Shareholder shall (subject to the Company serving upon him at least seven days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.
26. A call may be made payable by installments and shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed.
27. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
28. If a sum called in respect of the share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for the payment thereof to the time of actual payment at such rate as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.
29. Any sum which, by the terms of issue of a share, becomes payable on allotment or at any date fixed by or in accordance with such terms of issue, whether on account of the nominal amount of the share or by way of premium, shall for all the purposes of these Bye-Laws be deemed to be a call duly made, notified and payable on the date on which, by the terms of issue, the same becomes payable and, in case of non-payment, all the relevant provisions of these Bye-Laws as to payment of interest, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
30. The Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

### **FORFEITURE OF SHARES**

31. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of

such call or installment remains unpaid serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

32. The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that, in the event of non-payment on or before the day and at the place appointed, the shares in respect of which such call is made or installment is payable will be liable to be forfeited. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, reference in these Bye-Laws to forfeiture shall include surrender.
33. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
34. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.
35. A forfeited share shall be deemed to be the property of the Company and may be sold, re-offered or otherwise disposed of either to the person who was, before forfeiture, the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Board shall think fit, and, at any time before a sale, re-allotment or disposition, the forfeiture may be canceled on such terms as the Board may think fit.
36. A person whose shares have been forfeited shall thereupon cease to be a Shareholder in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon at such rate as the Board may determine from the date of forfeiture until payment, and the Company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited.
37. An affidavit in writing that the deponent is a Director or the Secretary and that a share has been duly forfeited on the date stated in the affidavit shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for the share on the sale, re-allotment or disposition thereof and the Board may authorize some person to transfer the share to the person to whom the same is sold, re-allotted or disposed of, and he shall



thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal of the share.

### **REGISTER OF SHAREHOLDERS**

38. The Secretary shall establish and maintain the Register in the manner prescribed by the Companies Acts. The Register shall be open to inspection without charge at the Registered Office on every Business Day, subject to reasonable restrictions as the Board may impose, so that not less than two hours in each Business Day be allowed for inspection. The Register may, after notice has been given in accordance with the Companies Acts, be closed for any time or times not exceeding in the whole thirty days in each year. Unless the Board so determines, no Shareholder or intending Shareholder shall be entitled to have entered in the Register any indication of any trust or any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share and if any such entry exists or is permitted by the Board it shall not be deemed to abrogate any of the provisions of Bye-Law 5.
39. Subject to the Companies Acts, the Company may establish one or more Branch Registers, and the Board may make and vary such regulations as it determines in respect of the keeping of any Branch Register, including maintaining a Registration Office in connection therewith.

### **REGISTER OF DIRECTORS AND OFFICERS**

40. The Secretary shall establish and maintain a register of the Directors and Officers of the Company as required by the Companies Acts. The register of Directors and Officers shall be open to inspection without charge at the Registered Office on every Business Day, subject to reasonable restrictions as the Board may impose, so that not less than two hours in each Business Day be allowed for inspection.

### **TRANSFER OF SHARES**

41. Subject to the Companies Acts and to such of the restrictions contained in these Bye-Laws as may be applicable and to the provisions of any applicable United States securities laws (including, without limitation, the Securities Act, and the rules promulgated thereunder), any Shareholder may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve.
42. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, where any share is not fully-paid, the transferee. The transferor shall be deemed to

remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Should the Company be permitted to do so under the laws of Bermuda, the Board may, either generally or in any particular case, upon request by the transferor or the transferee, accept mechanically or electronically executed instruments of transfer and may also make such regulations with respect to transfer in addition to the provisions of these Bye-Laws as it considers appropriate. The Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully-paid share. In addition:

- (a) The Board shall decline to register the transfer of any share, and shall direct the Registrar to decline (and the Registrar shall decline) to register the transfer of any interest in any share held through a Branch Register, to a person where the Board is of the opinion that such transfer might breach any law or requirement of any authority or any Listing Exchange until it has received such evidence as it may require to satisfy itself that no such breach would occur.
- (b) The Board may decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in any share held through the VPS Register, if the registration of such transfer would be likely, in the opinion of the Board, to result in fifty per cent. or more of the aggregate issued share capital of the Company or shares of the Company to which are attached fifty per cent. or more of the votes attached to all issued and outstanding shares of the Company being held or owned directly or indirectly, (including, without limitation, through the VPS Register) by a person or persons resident for tax purposes in Norway, provided that this provision shall not apply to the registration of shares in the name of the Registrar as nominee of persons whose interests in such shares are reflected in the VPS Register, but shall apply, *mutatis mutandis*, to interests in shares of the Company held by persons through the VPS Register.
- (c) For the purposes of this Bye-Law, each Shareholder (other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in the VPS Register) shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in the Register for such Shareholder, and each person whose interests in shares are reflected in the VPS Register shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in the VPS Register for such person. If such Shareholder or person is not resident for tax purposes in such jurisdiction or if there is a subsequent change in his residence for tax purposes, such Shareholder shall notify the Company immediately of his residence for tax purposes.



- (d) Where any Shareholder or person whose interests in shares are reflected in the VPS Register fails to notify the Company in accordance with the foregoing, the Board and the Registrar may suspend *sine die* such Shareholder's or person's entitlement to vote or otherwise exercise any rights attaching to the shares or interests therein and to receive payments of income or capital which become due or payable in respect of such shares or interests and the Company shall have no liability to such Shareholder or person arising out of the late payment or non-payment of such sums and the Company may retain such sums for its own use and benefit. In addition to the foregoing, the Board and the Registrar may dispose of the shares in the Company or interests herein of such Shareholder or person at the best price reasonably obtainable in all the circumstances, and in connection therewith the Board is authorized to appoint any person to sign any instrument of transfer on behalf of such Shareholder or person. Where a notice informing such Shareholder or person of the proposed disposal of his shares or interests therein has been served, his shares or interest therein may not be transferred otherwise than in accordance with this Bye-Law and any other purported transfer of such shares or interests therein shall not be registered in the Register and/or the VPS Register and shall be null and void.
- (e) The provision of these Bye-Laws relating to the protection of purchaser of shares sold under lien or upon forfeiture shall apply *mutatis mutandis* to a disposal of shares or interests therein by the Company or the Registrar in accordance with this Bye-Law.
- (f) Without limiting the generality of the foregoing, the Board may also decline to register any transfer unless:-
- (i) the instrument of transfer is duly stamped and lodged with the Company accompanied by the certificate for the shares to which it relates if any and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
  - (ii) the instrument of transfer is in respect of only one class of share; and
  - (iii) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.
- (g) Subject to any directions of the Board from time to time in force the Secretary may exercise the powers and discretion of the Board under this Bye-Law and Bye-Laws 41 and 43.

- (h) If fifty per cent. or more of the aggregate issued share capital of the Company or shares to which are attached fifty per cent. or more of the votes attached to all issued and outstanding shares of the Company are found to be held or owned directly or indirectly (including, without limitation, through the VPS Register) by a person or persons resident for tax purposes in Norway, other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in the VPS Register, the Board shall make an announcement to such effect through the Oslo Stock Exchange, and the Board and the Registrar shall thereafter be entitled and required to dispose of such number of shares of the Company or interests therein held or owned by such persons as will result in the percentage of the aggregate issued share capital of the Company held or owned as aforesaid being less than fifty per cent., and, for these purposes, the Board and the Registrar shall in such case dispose of shares or interests therein owned by persons resident for tax purposes in Norway on the basis that the shares or interests therein most recently acquired shall be the first to be disposed of (i.e. on the basis of last acquired first sold) save where there is a breach of the obligation to notify tax residency pursuant to the foregoing, in which event the shares or interests therein of the person in breach thereof shall be sold first. In connection with any such disposal, the Board is authorized to appoint any person to sign an instrument of transfer on behalf of the person holding such shares or interests. Holders of shares in the Company or interests therein shall not be entitled to raise any objection to the disposal of their shares or interests, but the provisions of these Bye-Laws relating to the protection of purchasers of shares sold under lien or upon forfeiture shall apply *mutatis mutandis* to any disposal of shares or interests therein made in accordance with this Bye-Law.
43. If the Board declines to register a transfer it shall, within sixty days after the date on which the instrument of transfer was lodged, send to the transferee notice of such refusal.
44. No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title to any share, or otherwise making an entry in the Register and/or the VPS Register relating to any share.
45. The Company may dispose of or transfer Treasury Shares for cash or other consideration.
46. Notwithstanding anything to the contrary in these Bye-Laws, shares that are listed or admitted to trading on an appointed stock exchange shall be transferred in accordance with the rules and regulations of such stock exchange.



## TRANSMISSION OF SHARES

47. In the case of the death of a Shareholder, the survivor or survivors, where the deceased was a joint holder, and the estate representative, where he was sole holder, shall be the only person recognized by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him solely or jointly with other persons. For the purpose of this Bye-Law, estate representative means the person to whom probate or letters of administration has or have been granted in Bermuda or, failing any such person, such other person as the Board may in its absolute discretion determine to be the person recognized by the Company for the purpose of this Bye-Law.
48. Any person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law may, subject as hereafter provided and upon such evidence being produced as may from time to time be required by the Board as to his entitlement, either be registered himself as the holder of the share or elect to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall signify his election by signing an instrument of transfer of such share in favor of that other person. All the limitations, restrictions and provisions of these Bye-Laws relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or instrument of transfer as aforesaid as if the death of the Shareholder or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer shared by such Shareholder.
49. A person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law shall (upon such evidence being produced as may from time to time be required by the Board as to his entitlement) be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of the share to receive notices of or to attend or vote at general meetings of the Company or, save as aforesaid, to exercise in respect of the share any of the rights or privileges of a Shareholder until he shall have become registered as the holder thereof. The Board may at any time give notice requiring such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the Board may thereafter withhold payment of all dividends and other moneys payable in respect of the shares until the requirements of the notice have been complied with.
50. Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under Bye-Laws 47, 48 and 49.

## DISCLOSURE OF MATERIAL INTERESTS

51. (a) Any person (other than the Registrar in respect of those shares registered in its name in the Register as the nominee of persons whose interests in such shares are reflected in the VPS Register) who acquires or disposes of an interest in shares to the effect that the requirements of the Oslo Stock Exchange in effect from time to time concerning the duty to flag changes in a person's interest in shares require such changes to be notified shall notify the Registrar immediately of such acquisition or disposal and the resulting interest of that person in shares.
- (b) For the purposes of this Bye-Law, a person shall be deemed to have an interest in shares:
- (i) owned by such person's spouse, minor child or cohabitant;
  - (ii) owned by any body corporate in which such person owns shares representing the majority of the votes attaching to all of the issued and outstanding shares of such body corporate or over which he has as owner of shares in such body corporate or by virtue of an agreement a determining influence and a substantial participation (as those terms are interpreted by the Norwegian courts from time to time) in the results of such body corporate's operations;
  - (iii) owned by any person with whom such person acts in concert (as such term is interpreted from time to time by the Oslo Stock Exchange), by virtue of any agreement or otherwise;
  - (iv) registered in the name of a nominee of such person or of any person referred to in clause (i), (ii), or (iii) in relation to such person;
  - (v) which are issuable on the exercise of any options, convertible bonds, subscription rights or any other rights to acquire shares in which such person has an interest;
  - (vi) subject to a lien or other security interest in favor of such person;
  - (vii) which are issuable on the exercise of purchase rights, preemption rights, or other rights related thereto in which such person has an interest and which are activated by the acquisition, disposal or conversion of shares;
  - (viii) subject of any other agreed restriction on a Shareholder's right to dispose of same or to exercise such Shareholder's rights as a Shareholder, in favor



of such person, except agreements to separate the dividend right from the ownership right of a share;

- (ix) in connection with the acquisition of which there was given guarantee of their purchase price by such person or such person otherwise undertook a risk with respect to the value thereof and which guarantee or risk remains outstanding.
- (c) The Registrar shall promptly report any such notification of interest to the Oslo Stock Exchange and the Company.
- (d) If a person fails to give notification of a change in his interest in shares in accordance with this Bye-Law and the Board believes that such person has acquired or disposed of an interest in shares in circumstances in which he would be subject to the notification requirements of this Bye-Law, the Board shall require the Registrar to serve upon that person a notice:
  - (i) requiring him to comply with the notification requirements in relation to the change in his interest in shares; and
  - (ii) informing him that, pending compliance with the notification requirements, the registered holder or holders of the shares in which that person is interested shall not be entitled to vote or otherwise exercise any rights attaching to the shares to which the notice relates nor shall such registered holder or holders be entitled to receive payments of income or capital which become due or payable in respect of such shares. The registered holder's or holders' entitlement to vote and entitlement to such payments shall be suspended pending compliance with the notification requirements without any liability of the Company to such holder or holders arising for late payment or nonpayment and the Company may retain such sums for its own use and benefit during such period of suspension.

#### **INCREASE OF CAPITAL**

- 52. The Company may from time to time increase its capital by such sum to be divided into shares of such par value as the Company by Ordinary Resolution shall prescribe.
- 53. The Company may, by the Ordinary Resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance either at par or at a premium or (subject to the provisions of the Companies Acts) at a discount to all the holders for the

time being of shares of any class or classes in proportion to the number of such shares held by them respectively or make any other provision as to the issue of the new shares.

54. The new shares shall be subject to all the provisions of these Bye-Laws with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

#### **ALTERATION OF CAPITAL**

55. The Company may from time to time by Ordinary Resolution:
- (a) increase its capital as provided by Bye-Law 52;
  - (b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
  - (c) consolidate and divide all or any of its share capital into shares of larger par value than its existing shares;
  - (d) sub-divide its shares or any of them into shares of smaller amount than is fixed by its memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
  - (e) make provision for the issue and allotment of shares which do not carry any voting rights;
  - (f) cancel shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
  - (g) change the currency denomination of its share capital.

Where any difficulty arises in regard to any division, consolidation, or sub-division under this Bye-Law, the Board may settle the same as it thinks expedient and, in particular, may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the Shareholders who would have been entitled to the fractions, and, for this purpose, the Board may authorize some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.



56. Subject to the provisions of the Companies Acts and to any confirmation or consent required by law or these Bye-Laws, the Company may by Ordinary Resolution from time to time convert any preference shares into redeemable preference shares.
57. The Company may from time to time purchase its own shares on such terms and in such manner as may be authorized by the Board, subject to the rules, if applicable, of the Listing Exchange. In the event the Company conducts a tender offer for its shares, any such offer which is made through the facilities of the Oslo Stock Exchange shall be expressed as being conditional upon no Shareholders or persons resident for tax purposes in Norway owning or controlling fifty per cent. or more of the issued share capital or the votes attaching to the issued and outstanding share capital of the Company following such purchase.

Any share so purchased shall be treated as cancelled, and the amount of the Company's issued share capital shall be diminished by the nominal value of the shares purchased, but such purchase shall not be taken as reducing the amount of the Company's authorized share capital.

58. Subject to the Companies Acts, the Company shall have the option, but not the obligation, to repurchase from any Shareholder or Shareholders all fractions of shares, and all holdings of fewer than 100 shares, registered in the name of said Shareholder or Shareholders. Such repurchase shall be on such terms and conditions as the Board may determine, provided that in any event, the repurchase price shall be not less than the closing market price per share quoted on the Oslo Stock Exchange on the effective date of the repurchase. In connection therewith the Board is authorized to appoint any person to sign any instrument of transfer on behalf of such Shareholder. Each Shareholder shall be bound by the determination of the Company to repurchase such shares or fractions thereof. If the Company determines to repurchase any such shares or fractions, the Company shall give written notice to each Shareholder concerned accompanied by a cheque or warrant for the repurchase price and the relevant shares, fractions and certificates in respect thereof shall thereupon be cancelled.

#### **REDUCTION OF CAPITAL**

59. Subject to the Companies Acts, its memorandum and any confirmation or consent required by law or these Bye-Laws, the Company may from time to time by Ordinary Resolution authorize the reduction of its issued share capital or any capital redemption reserve fund or any share premium account in any manner.
60. In relation to any such reduction the Company may by Ordinary Resolution determine the terms upon which such reduction is to be effected, including, in the case of a reduction of part only of a class of shares, those shares to be affected.

## GENERAL MEETINGS AND WRITTEN RESOLUTIONS

61. (a) The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Acts (“**Annual General Meetings**”) at such times and places subject to the limitation set out below as the Board shall appoint. The Board may whenever it thinks fit, and shall when required by the Companies Acts, convene general meetings other than Annual General Meetings which shall be called “**Special General Meetings**”. Any such Annual General Meeting or Special General Meeting shall be held at the Registered Office of the Company in Bermuda or such other location suitable for such purpose but in no event shall any such Annual General Meeting or Special General Meeting be held in Norway or the United Kingdom.
- (b) Except in the case of the removal of auditors and directors, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Shareholders of the Company may, without a meeting, be done by resolution in writing, signed by, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts) on behalf of, a simple majority of all of the Shareholders (or such greater majority as is required by the Companies Acts or these Bye-Laws). Such resolution in writing may be signed by, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts) on behalf of, Shareholders in as many counterparts as may be necessary.
- (c) A resolution in writing is passed when the resolution is signed by, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts), on behalf of, such number of the Shareholders of the Company who at the date of the notice represent such majority of votes as would be required if the resolution had been voted on at a meeting of the Shareholders at which all Shareholders entitled to attend and vote thereat were present and voting.
- (d) A resolution in writing made in accordance with this Bye-Law is as valid as if it had been passed by the Company in general meeting or, if applicable, by a meeting of the relevant class of shareholders of the Company, as the case may be. A resolution in writing made in accordance with this Bye-Law shall constitute minutes for the purposes of the Companies Acts and these Bye-Laws.
- (e) Notice of any resolution to be made pursuant to this Bye-Law shall be given, and a copy of the resolution shall be circulated, to all Shareholders who would be entitled to attend a meeting and vote on the resolution in the same manner as that required for a notice of a meeting of the Shareholders at which the resolution



could have been considered except that any requirement in the Companies Acts or these Bye-Laws as to the length of the period of notice shall not apply.

### NOTICE OF GENERAL MEETINGS

62. An Annual General Meeting shall be called with not less than seven days' notice in writing and a Special General Meeting shall be called with not less than seven days' notice in writing. The notice period shall be exclusive of the day on which the notice is served or deemed to be served and of the day on which the meeting to which it relates is to be held and shall specify the place, day and time of the meeting, and in the case of a Special General Meeting, the general nature of the business to be considered. Notice of every general meeting shall be given in any manner permitted by Bye-Laws 165, 166, 166A and 167 to all Shareholders. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this Bye-Law, it shall be deemed to have been duly called if it is so agreed:
- (a) in the case of a meeting called as an Annual General Meeting by all the Shareholders entitled to attend and vote thereat;
  - (b) in the case of any other meeting by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right;

provided that notwithstanding any provision of these Bye-Laws, no Shareholder shall be entitled to attend any general meeting unless notice in writing of the intention to attend and vote in person or by proxy signed by or on behalf of the Shareholder (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) addressed to the Secretary is deposited (by post, courier, facsimile transmission or other electronic means) at the Registered Office at least 48 hours before the time appointed for holding the general meeting or adjournment thereof.

63. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to or the non-receipt of notice of a meeting or such instrument of proxy by any person entitled to receive such notice shall not invalidate the proceedings at that meeting.
64. The Board may convene a Special General Meeting whenever it thinks fit. A Special General Meeting shall also be convened by the Board on the written requisition of Shareholders holding at the date of the deposit of the requisition not less than one tenth in nominal value of the paid-up capital of the Company which as at the date of the deposit carries the right to vote at a general meeting of the Company. The requisition must state

the purposes of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more of the requisitionists.

### **PROCEEDINGS AT GENERAL MEETING**

65. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman, which shall not be treated a part of the business of the meeting. Save as otherwise provided by these Bye-Laws, at least two Shareholders present in person or by proxy and entitled to vote (whatever the number of shares held by them) shall be a quorum for all purposes.
66. If within five minutes (or such longer time as the chairman of the meeting may determine to wait) after the time appointed for the meeting, a quorum is not present, the meeting, if convened on the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to such other day and such other time and place as the chairman of the meeting may determine and at such adjourned meeting two Shareholders or, in the event that there is only one Shareholder, one Shareholder, present in person or by proxy (whatever the number of shares held by them) shall be a quorum. The Company shall give not less than five days' notice of any meeting adjourned through want of a quorum and such notice shall state that two Shareholders or, in the event that there is only one Shareholder, one Shareholder, present in person or by proxy (whatever the number of shares held by them) shall be a quorum.
67. A meeting of the Shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such meeting shall constitute presence in person at such meeting.
68. Each Director and the Company's auditor and Secretary shall be entitled to attend and speak at any general meeting of the Company.
69. The Chairman (if any) of the Board or, in his absence, the President shall preside as chairman at every general meeting. If there is no Chairman or President, or if at any general meeting neither the Chairman nor the President is present within five minutes after the time appointed for holding the general meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act or if one Director only is present he shall preside as chairman if willing to act. If no Director is present or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll shall elect one of their number to be chairman.



70. The chairman of the general meeting may, with the consent of those present at any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the general meeting from time to time and from place to place but no business shall be transacted at any adjourned general meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned general meeting shall be given as in the case of an original general meeting.
71. Save as expressly provided by these Bye-Laws, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.

### VOTING

72. Save where a greater majority is required by the Companies Acts or these Bye-Laws, any question proposed for consideration at any general meeting shall be decided on by Ordinary Resolution. In any case where an Ordinary Resolution or an Extraordinary Resolution is to be put to the Company, each Shareholder shall be entitled to communicate such Shareholder's vote in the form of an electronic record.
73. The Board may, with the sanction of an Ordinary Resolution if Shareholder approval is required in accordance with the Principal Act, amalgamate or merge the Company with another company (whether or not the Company is the surviving company and whether or not such an amalgamation or merger involves a change in the jurisdiction of the Company). The necessary quorum for consideration of any such Ordinary Resolution shall be as provided in Bye-Law 65.
74. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands or by a count of votes received in the form of electronic records unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:
- (a) the chairman of the meeting; or
  - (b) at least three Shareholders present in person or represented by proxy; or
  - (c) any Shareholder or Shareholders present in person or represented by proxy and holding between them not less than one tenth of the total voting rights of all the Shareholders having the right to vote at such meeting; or
  - (d) a Shareholder or Shareholders present in person or represented by proxy holding shares conferring the right to vote at such meeting, being shares on which an

aggregate sum has been paid up equal to at least one-tenth of the total sum paid up on all such shares conferring such right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, or by a count of votes received in the form of electronic records, been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number of votes recorded for or against such resolution.

75. A poll demanded for the purposes of electing a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner and either forthwith or at such time at such meeting as the chairman shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll.
76. Where a vote is taken by poll, each person physically present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. Each person present by telephone, electronic or other communication facilities or means shall cast his vote in such manner as the chairman of the meeting shall direct. At the conclusion of the poll, the ballot papers and votes cast in accordance with such directions shall be examined and counted by one or more scrutineers appointed by the Board or, in the absence of such appointment, by a committee of not less than two Shareholders or proxy holders appointed by the chairman of the meeting for the purpose, and the result of the poll shall be declared by the chairman of the meeting.
77. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded and it may be withdrawn at any time before the taking of the poll.
78. On a poll, votes may be cast either personally or by proxy.
79. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
80. If a poll is duly demanded, the result of the poll shall be deemed to be the resolution of the meeting at which the poll is demanded.



81. In the case of any equality of votes at a general meeting, whether on a show of hands, a count of votes received in the form of electronic records or on a poll, the chairman of such general meeting shall not be entitled to a second or casting vote.
82. Subject to the provisions of these Bye-Laws and to any special rights or restrictions as to voting for the time being attached to any shares, every Shareholder who is present in person or by proxy or proxies shall have one vote for every share of which he is the holder.
83. In the case of joint holders of a share, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
84. A Shareholder who is a patient for any purpose of any statute or applicable law relating to mental health or in respect of whom an order has been made by any Court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote by his receiver, committee, *curator bonis* or other person in the nature of a receiver, committee or *curator bonis* appointed by such Court and such receiver, committee, *curator bonis* or other person may vote by proxy, and may otherwise act and be treated as such Shareholder for the purpose of general meetings.
85. No Shareholder shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
86. If (i) any objection shall be raised to the qualification of any voter or (ii) any votes have been counted which ought not to have been counted or which might have been rejected or (iii) any votes are not counted which ought to have been counted, the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the general meeting and shall only vitiate the decision of the general meeting on any resolution if the chairman decides that the same may have affected the decision of the general meeting. The decision of the chairman on such matters shall be final and conclusive.

#### **PROXIES AND CORPORATE REPRESENTATIVES**

87. A Shareholder may appoint one or more proxies to attend at a general meeting of the Company and to vote on his behalf and/or execute resolutions in writing on his behalf and proxies appointed by a single Shareholder need not all exercise their vote in the same

manner. Provided that for all purposes of these Bye-Laws an instrument of proxy may with the sanction of the Board be in the form of an electronic record. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorized by him in writing or, if the appointor is a body corporate, the instrument authorizing a representative shall be in writing either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

88. Any Shareholder may appoint a standing proxy or (if a body corporate) representative by depositing at the Registered Office a proxy or (if a body corporate) an authorization and such proxy or authorization shall be valid for all general meetings and adjournments thereof or, resolutions in writing, as the case may be, until notice of revocation is received at the Registered Office which, if permitted by the Principal Act, may be in the form of an electronic record. Where a standing proxy or authorization exists, its operation shall be deemed to have been suspended at any general meeting or adjournment thereof at which the Shareholder is present or in respect of which the Shareholder has specially appointed a proxy or representative. The Board may from time to time require such evidence as it shall deem necessary as to the due execution and continuing validity of any such standing proxy or authorization and the operation of any such standing proxy or authorization shall be deemed to be suspended until such time as the Board determines that it has received the requested evidence or other evidence satisfactory to it.
89. Subject to Bye-Law 88, the instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require, shall be delivered at the Registered Office which, if permitted by the Principal Act may be in the form of an electronic record, at the place of the general meeting, or at such place as may be specified in the notice convening the general meeting or in any notice of any adjournment, or, in either case, or the case of a written resolution, in any document sent therewith, prior to the holding of the general meeting or adjourned general meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequent to the date of a general meeting or adjourned general meeting, before the time appointed for the taking of the poll or, in the case of a written resolution, prior to the effective date of the written resolution and in default the instrument of proxy shall not be treated as valid.
90. Instruments of proxy shall be in any common form or in such other form as the Board may approve and the Board may, if it thinks fit, send out with the notice of any general meeting or any written resolution, forms of instruments of proxy for use at that meeting or in connection with that written resolution. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a written resolution or amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall unless the contrary is stated therein



be valid as well for any adjournment of the general meeting as for the general meeting to which it relates.

91. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Registered Office which, if permitted by the Principal Act may be in the form of an electronic record, the place of the meeting or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith before the commencement of the general meeting or adjourned general meeting, or the taking of the poll, at which the instrument of proxy is used.
92. Subject to the Companies Acts, the Board may at its discretion waive any of the provisions of these Bye-Laws related to proxies or authorizations and, in particular, may accept such verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any Shareholder at general meetings.
93. Notwithstanding any other provisions of these Bye-Laws, any Shareholder may appoint an irrevocable proxy by depositing at the Registered Office an irrevocable proxy and such irrevocable proxy shall be valid for all general meetings and adjournments thereof, or resolutions in writing, as the case may be, until terminated in accordance with its own terms, or until written notice of termination is received at the Registered Office signed by the proxy. The instrument creating the irrevocable proxy shall recite that it is constituted as such and shall confirm that it is granted with an interest. The operation of an irrevocable proxy shall not be suspended at any general meeting or adjournment thereof at which the Shareholder who has appointed such proxy is present and the Shareholder may not specially appoint another proxy to vote himself in respect of any shares which are the subject of the irrevocable proxy.

#### **APPOINTMENT AND REMOVAL OF DIRECTORS**

94. The size of the Board shall be determined in accordance with Bye-Law 95.
95. Provided that Hemen's Percentage Interest is equal to or exceeds five per cent. (and has not previously fallen below five per cent.), the Company shall not have more than seven Directors without the prior written consent of Hemen and approval by Ordinary Resolution. In the event that Hemen's Percentage Interest falls below five per cent., the number of Directors shall be such number as the Company by Ordinary Resolution may from time to time determine.

96. Provided that Hemen's Percentage Interest is equal to or exceeds ten per cent. (and has not previously fallen below ten per cent.), Hemen shall have the right from the Plan Effective Date to:
- (a) appoint two persons as Hemen Directors, of whom one shall be the Chairman; and
  - (b) appoint two persons as Independent Nominees, provided that the other Directors are given reasonable opportunity to meet and consult with Hemen and such Independent Nominees prior to their appointment to the Board.
97. Provided that Hemen's Percentage Interest is equal to or exceeds five per cent. but is less than ten per cent. (and has not previously fallen below five per cent.), Hemen shall have the right from the Plan Effective Date to:
- (a) appoint one person as a Hemen Director, who shall be the Chairman; and
  - (b) appoint two persons as Independent Nominees, provided that the other Directors are given reasonable opportunity to meet and consult with Hemen and such Independent Nominees prior to their appointment to the Board.
98. The majority of all the Directors, when taken together, shall not be resident in the United Kingdom.
99. Provided that Centerbridge retains at least 50 per cent. of the Initial Centerbridge Investment (and has not previously held less than 50 per cent. of the Initial Centerbridge Investment), Centerbridge shall have the right from the Plan Effective Date to appoint one person as a Centerbridge Director, including at the time of the first election of Directors that follows the first anniversary of the Plan Effective Date (but not at any subsequent election). From the second election of Directors which takes place following the first anniversary of the Plan Effective Date (and subsequent elections thereafter), Centerbridge shall no longer have the right to appoint a Centerbridge Director.
100. Provided that the Select Commitment Parties retain at least 50 per cent. of the Initial Select Commitment Parties' Investment (and have not previously held less than 50 per cent. of the Initial Select Commitment Parties' Investment), the Select Commitment Parties, acting by a majority shall have the right from the Plan Effective Date until immediately prior to the first Annual General Meeting after the Plan Effective Date to appoint one Select Commitment Parties Director.
101. Hemen, Centerbridge and the Select Commitment Parties, acting by a majority of each of Hemen, Centerbridge and the Select Commitment Parties, shall have the right from the Plan Effective Date to appoint one Joint Designee Director. The New Commitment



Parties shall have the right to suggest up to three candidates for the position of Joint Designee Director, which candidates will be considered by Hemen, Centerbridge and the Select Commitment Parties when determining the identity of the Joint Designee Director, provided that the New Commitment Parties will provide the names of the suggested candidates to Hemen, Centerbridge and the Select Commitment Parties not less than ten Business Days in advance of the proposed date of appointment of the Joint Designee Director. Prior to appointing the Joint Designee Director, Hemen, Centerbridge and the Select Commitment Parties will deliver written notice of the proposed identity of the Joint Designee Director to the Ad Hoc Group Parties (with separate notice to the outside legal counsel of the Ad Hoc Group Parties) and Barclays not less than three Business Days in advance of the proposed date of appointment of the Joint Designee Director, and shall take into consideration any objections raised by the New Commitment Parties as to the identity of the Joint Designee Director. Notwithstanding the foregoing, each of Hemen, Centerbridge and the Select Commitment Parties shall not unreasonably withhold its consent to any appointment of such Joint Designee Director.

102. Subject to these Bye-Laws, the Shareholders by Ordinary Resolution may elect or appoint a person to act as the sole Director of the Company, and the sole Director may be a Corporate Director.
103. All Investor Appointed Directors shall be appointed by written notice delivered to the Registered Office. In the case of the initial Investor Appointed Directors, such Directors shall be appointed by written notice delivered to the Registered Office no later than 10 Business Days after the Plan Effective Date (the “**Specified Time**”). Subject to the following sentence, in the event that an Investor fails to deliver such written notice in the manner specified within the Specified Time, such Investor shall be deemed to have waived its right to appoint a person to the Board as a Director and the vacancy in the number of Directors caused by such deemed waiver shall be filled as the Company by Ordinary Resolution may from time to time determine. An Investor shall be entitled to waive its right to appoint a person to the Board as a Director, or to confirm that its right to appoint a person to the Board as a Director shall not be deemed to have been waived pursuant to the preceding sentence, by written notice delivered to the Registered Office within the Specified Time. On and from the first Annual General Meeting following the first anniversary of the Plan Effective Date, and at each subsequent Annual General Meeting, all Directors (except as expressly provided otherwise in Bye-Law 96 and Bye-Law 97 with respect to the Hemen Directors and the Independent Nominees, and Bye-Law 99 with respect to the Centerbridge Director) shall be subject to re-election by Ordinary Resolution at each Annual General Meeting. From and after such time as Centerbridge ceases to have the right to appoint the Centerbridge Director pursuant to Bye-Law 99, such Director shall be subject to re-election by Ordinary Resolution at each Annual General Meeting. From and after such time as Hemen ceases to have the right to

appoint a Hemen Director or Independent Nominee pursuant to Bye-Law 96 or Bye-Law 97, the Director(s) with respect to which Hemen ceased to have an appointment right shall be subject to re-election by Ordinary Resolution at each Annual General Meeting.

104. Subject to Bye-Laws 94 to 103, the Shareholders may at the Annual General Meeting and in a general meeting by Ordinary Resolution determine the minimum and the maximum number of Directors and may by Ordinary Resolution determine that one or more vacancies in the Board shall be deemed casual vacancies for the purposes of these Bye-Laws. Without prejudice to Bye-Laws 94 to 103 or the power of the Company in a general meeting in pursuance of any of the provisions of these Bye-Laws to appoint any person to be a Director, the Board, so long as a quorum of Directors remains in office, shall have power at any time and from time to time to appoint any individual to be a Director so as to fill a casual vacancy (including a vacancy created by the resignation or removal of an Investor Appointed Director only if he or she is not replaced by the relevant Investor within 10 Business Days of the vacancy being created).
105. The Company may in a Special General Meeting called for that purpose remove a Director (other than an Investor Appointed Director), provided notice of any such Special General Meeting shall be served upon the Director concerned not less than fourteen days before the Special General Meeting and he shall be entitled to be heard at that Special General Meeting. Any vacancy created by the removal of a Director (other than an Investor Appointed Director) at a Special General Meeting may be filled at the Special General Meeting by the election of another person as Director in his place or, in the absence of any such election, by the Board.

#### **RESIGNATION, REMOVAL AND DISQUALIFICATION OF DIRECTORS**

106. The Investor or Investors entitled to appoint an Investor Appointed Director shall have the right at any time, by notice in writing to the Registered Office, to remove any such Investor Appointed Director and may (subject to these Bye-Laws) appoint a new Investor Appointed Director in his or her place.
107. Subject to the Principal Act and these Bye-Laws, each Director shall (except in the case of any Investor Appointed Director) hold office for such term as the Shareholders may determine, and shall serve until re-elected or re-appointed or until his or her successor is elected or appointed in accordance with these Bye-Laws or their office is otherwise vacated.
108. The office of a Director shall be vacated upon the happening of any of the following events:



- (a) if he resigns his office by notice in writing delivered to the Registered Office or tendered at a meeting of the Board;
  - (b) if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that he shall be removed from office;
  - (c) if he becomes bankrupt or compounds with his creditors;
  - (d) if he is prohibited by law from being a Director; or
  - (e) if he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to these Bye-Laws.
109. If a Director ceases to be a Director for any reason, he or she will also automatically cease to be a member of any committee of the Directors of which he or she is a member.
110. Any Investor who removes an Investor Appointed Director from office under these Bye-Laws shall indemnify the Company against any claim made by such Investor Appointed Director, whether for compensation for loss of office, wrongful dismissal or otherwise, which arises out of that Investor Appointed Director ceasing to hold office, provided, however, that the provisions of this Bye-Law shall not apply to any existing claims against the Company, or to any claims arising out of or resulting from the Company's bad faith, negligence or willful misconduct.

#### **ALTERNATE DIRECTORS**

111. (a) Subject to these Bye-Laws, the Company may by Ordinary Resolution elect a person or persons qualified to be Directors to act as Directors in the alternative to any of the Directors of the Company or may authorize the Board to appoint such Alternate Directors and a Director may appoint and remove his own Alternate Director. Any appointment or removal of an Alternate Director by a Director shall be effected by depositing a notice of appointment or removal with the Secretary at the Registered Office which, if permitted by the Principal Act may be in the form of an electronic record, signed by such Director, and such appointment or removal shall become effective on the date of receipt by the Secretary. Any Alternate Director may be removed by Ordinary Resolution of the Company and, if appointed by the Board, may be removed by the Board. Subject as aforesaid, the office of Alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. A Director may also be appointed to represent another Director and may represent more than one Director.

- (b) The appointment of an Alternate Director shall determine on the happening of any event which, were he a Director, would cause him to vacate such office or if his appointor ceases to be a Director. No resident of the United Kingdom may be elected or appointed as an Alternate Director and no person who is physically located in the United Kingdom during a meeting of the Board may act as an Alternate Director at such meeting.
- (c) An Alternate Director shall be entitled to receive notices of all meetings of Directors, to attend, be counted in the quorum and vote at any such meeting at which any Director to whom he is alternate is not personally present, and generally to perform all the functions of any Director to whom he is alternate in his absence.
- (d) Every person acting as an Alternate Director shall when performing the functions of the Director for whom he is appointed in the alternate (except as regards powers to appoint an alternate and remuneration) be subject in all respects to the provisions of these Bye-Laws relating to Directors and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for any Director for whom he is alternate. An Alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a Director. Every Director representing another Director shall have one vote for each Director for whom he represents in addition to his own vote as a Director. The signature of an Alternate Director to any Resolution in writing of the Board or a committee of the Board shall, unless the terms of his appointment provides to the contrary, be as effective as the signature of the Director or Directors to whom he is alternate.

#### **DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES**

- 112. The amount, if any, of Directors' fees shall from time to time be determined by the Company by Ordinary Resolution and in the absence of a determination to the contrary in general meeting, such fees shall be deemed to accrue from day to day. Each Director may be paid his reasonable traveling, hotel and incidental expenses properly incurred in attending and returning from meetings of the Board or committees constituted pursuant to these Bye-Laws or general meetings and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may



determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-Law.

### **DIRECTORS' INTERESTS**

113. (a) A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-Law.
- (b) A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (c) Subject to the provisions of the Companies Acts, a Director may notwithstanding his office be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer of, employed by, a party to any transaction or arrangement with, or otherwise interested in any body corporate promoted by the Company or in which the Company is interested. The Board may also cause the voting power conferred by the shares in any other body corporate held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other body corporate, or voting or providing for the payment of remuneration to the directors or officers of such other body corporate.
- (d) So long as, where it is necessary, he declares the nature of his interest at the first opportunity at a meeting of the Board or by writing to the Directors as required by the Companies Acts, a Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which these Bye-Laws allow him to be appointed or from any transaction or arrangement in which these Bye-Laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.
- (e) Subject to the Companies Acts and any further disclosure required thereby, a general notice to the Directors by a Director or officer declaring that he is a director or officer who has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person, shall be a

sufficient declaration of interest in relation to any transaction or arrangement so made.

### **POWERS AND DUTIES OF THE BOARD**

114. Subject to the provisions of the Companies Acts and these Bye-Laws, the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company and may exercise all the powers of the Company as are not, by the Companies Acts or these Bye-Laws, required to be exercised by the Company in general meeting. No alteration of these Bye-Laws and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. To the extent permitted by the Companies Acts, the Board may agree that the Company shall not exercise, in whole or in part, any of the powers in the Companies Acts that are reserved to Shareholders. The powers given by this Bye-Law shall not be limited by any special power given to the Board by these Bye-Laws and a meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.
115. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons.
116. All checks, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.
117. The Board on behalf of the Company may provide benefits, whether by the payment of gratuities or pensions or otherwise, for any Director or Officer (whether or not an employee) and any person including:
  - (a) who has held any executive office or employment with the Company or with any body corporate which is or has been a Subsidiary or Affiliate of the Company or a predecessor in the business of the Company or of any such Subsidiary or Affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person in connection with the provision of pensions; and



- (b) subject to the Companies Acts, the Board may also establish and maintain an Employees' Share Scheme approved by Ordinary Resolution and (if an Employees' Share Scheme so provides) contribute to any Employees' Share Scheme for the purchase by the Company or transfer, allotment or issue from the Company to trustees of shares in the Company, such shares to be held for the benefit of the scheme participants (including Directors and Officers) and lend money to such trustees or scheme participants to enable the purchase of such shares.
118. The Board may from time to time appoint one or more of its body to be a managing director, joint managing director or an assistant managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and may revoke or terminate any such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Any person so appointed shall receive such remuneration (if any, whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.
119. All acts done in good faith by the Board, any Director, any Alternate Director, a member of a committee appointed by the Board, any person to whom the Board may have delegated any of its powers, or any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that he was, or any of them were, disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or act in the relevant capacity.

#### **DELEGATION OF THE BOARD'S POWERS AND COMMITTEES**

120. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such power, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-Laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney and of such attorney as the Board may think fit, and may also authorize any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. The Board may revoke or vary any

such delegation of power, but no person dealing in good faith with such delegate without notice of such revocation or variation shall be affected by such revocation or variation.

121. Subject to these Bye-Laws, the Board may entrust to and confer upon any Director or officer or, without prejudice to the provisions of Bye-Law 122, other individual any of the powers exercisable by it upon such terms and conditions with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.
122. The Board may delegate any of its powers, authorities or discretions (including, without limitation, the power to sub-delegate) to committees, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit provided that, where possible in accordance with these Bye-Laws, such committee shall not comprise of a person or a majority of persons who are resident in the United Kingdom. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed upon it by the Board. The Board may revoke or vary any such delegation of its powers, authorities and discretions, but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.
123. The Board may authorize any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.
124. Subject to any applicable independence requirements of the New York Stock Exchange, the Oslo Stock Exchange and/or the Exchange Act in relation to Directors, for as long as Hemen's Percentage Interest equals or exceeds five per cent. Hemen shall have the right to appoint at least one Hemen Director to each committee formed by the Directors in accordance with these Bye-Laws.
125. In the event that Hemen's Percentage Interest exceeds five per cent. (and has not previously fallen below five per cent.), the Directors may not form new committees, or increase the size of existing committees, without the written consent of Hemen (such consent not to be unreasonably withheld or delayed).

#### **PROCEEDINGS OF THE BOARD**

126. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit, provided that:



- (a) any physical meeting of the Board shall not take place in Norway or the United Kingdom;
  - (b) for the purpose of any meeting of the Board or any committee of the Board held by electronic means in accordance with Bye-Law 134, the majority of Directors participating in the meeting (including the Chairman) shall not be physically located in the United Kingdom; and
  - (c) for the purpose of any meeting of the Board or any committee of the Board held by electronic means in accordance with Bye-Law 134, the Board shall use all reasonable endeavours to ensure that no such meeting is deemed to be held in Norway.
127. Subject to these Bye-Laws, questions arising at any meeting shall be determined by a majority of votes cast. No Director (including the Chairman, if any, of the Board) shall be entitled to a second or casting vote. In the case of an equality of votes the motion shall be deemed to have been lost. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a Board meeting.
128. Notice of a Board meeting shall be deemed to be duly given to a Director if it is sent to him by post, cable, telex, telecopier, electronic means or other mode of representing or reproducing words in a legible and non-transitory form at his last known address or any other address given by him to the Company for this purpose. Written notice of Board meetings shall be given with reasonable notice being not less than 24 hours whenever practicable.
129. (a) The quorum necessary for the transaction of the business of the Board shall be a majority in number of those Directors who are neither: (i) resident in the United Kingdom for the purpose of Bye-Law 98; nor (ii) present in the United Kingdom, provided that at least three Independent Directors are present. Any Director who ceases to be a Director at a meeting of the Board may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.
- (b) If a quorum is not present within a half hour of the scheduled start time of the meeting of the Board, the meeting of the Board shall be adjourned and shall be convened again after 72 hours, provided that where the business to be transacted at such meeting is deemed by the Chairman to be urgent the meeting shall be convened again after 24 hours, and the Directors present at such adjourned meeting shall be a quorum.

- (c) Subject to the provisions of Bye-Law 113, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract, transaction or arrangement with the Company and has complied with the provisions of the Companies Acts and these Bye-Laws with regard to disclosure of his interest shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present. No such contract, transaction or arrangement or proposed contract, transaction or arrangement shall be void or voidable by reason only that such Director voted on it or was counted in the quorum of the relevant meeting.
130. So long as a quorum of Directors remains in office, the continuing Directors may act notwithstanding any vacancy in the Board but, if no such quorum remains, the continuing Directors or a sole continuing Director may act only for the purpose of calling a general meeting.
131. (a) The Hemen Director who is Chairman in accordance with Bye-Laws 96 and 97 shall act as Chairman at any meeting of the Board; and
- (b) if Hemen has not appointed a Hemen Director to be Chairman or such Chairman is not present, the Chairman of a meeting of the Board shall be appointed or elected by a majority of the Directors present at the meeting.
132. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Bye-Laws for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.
133. All business of the Company shall be conducted at first instance at a meeting of the Board or a meeting of a committee in accordance with these Bye-Laws. If it is not reasonably practicable to convene such a meeting, a resolution in writing signed by (or in the case of a Corporate Director, on behalf of) all the Directors for the time being entitled to receive notice of a meeting of the Board or by all the members of a committee for the time being, which may be in counterparts, shall be as valid and effectual as a resolution passed at a meeting of the Board or, as the case may be, of such committee duly called and constituted, provided that a written resolution signed by any Director or member of a committee who is present in the United Kingdom at the time at which the resolution is signed by him will be invalid. A written resolution shall be effective on the date on which the resolution is signed by (or in the case of a Corporate Director, on behalf of) the last Director.



134. A meeting of the Board or a committee appointed by the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting. A meeting of the Board or committee appointed by the Board held in the foregoing manner shall be deemed to take place at the place where the largest group of participating Directors or committee members has assembled or, if no such group exists, at the place where the chairman of the meeting participates which place shall, so far as reasonably practicable, be at the Registered Office of the Company or at an office of one of the group of companies of which the Company is a part, located outside of the United Kingdom. In no event shall the place where the largest group of participating Directors or committee members has assembled or, if no such group exists, the place where the chairman of the meeting participates, be located in the United Kingdom. The Board or relevant committee shall use its best endeavours to ensure that any such meeting is not deemed to have been held in Norway, and the fact that one or more Directors may be present at such teleconference by virtue of his being physically in Norway shall not deem such meeting to have taken place in Norway.
135. All acts done by the Board or by any committee or by any person acting as a Director or member of a committee or any person duly authorized by the Board or any committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated their office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director, member of such committee or person so authorized.
136. A Corporate Director may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Director, and that Director shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.
137. Notwithstanding the foregoing, the Chairman may accept such assurances as he thinks fit as to the right of any person to attend and vote at Board meetings on behalf of a Corporate Director.

## **OFFICERS**

138. The Board may appoint any person whether or not he is a Director to hold such office as the Board may from time to time determine. Any person elected or appointed pursuant to

this Bye-Law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such election or appointment. Any such revocation or termination shall be without prejudice to any claim for damages that such Officer may have against the Company or the Company may have against such Officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Companies Acts or these Bye-Laws, the powers and duties of the Officers of the Company shall be such (if any) as are determined from time to time by the Board.

### **CONFIDENTIALITY AND EXTERNAL COMMUNICATIONS**

139. Each Director (including any Corporate Director), Alternate Director, Officer and each person appointed to act as a member of any committee established pursuant to the authority contained in Bye-law 122 shall be subject to a continuing obligation of confidence to the Company. All external communications regarding the business affairs of the Company shall be subject to the terms of the code of conduct for the Directors, Officers, committee members and employees of the Company adopted by the Board from time to time.

### **MINUTES**

140. The Directors shall cause minutes to be made and books kept for the purpose of recording:
- (a) all appointments of Officers made by the Directors;
  - (b) the names of the Directors and other persons (if any) present at each meeting of Directors and of any committee;
  - (c) all proceedings at meetings of the Company, of the holders of any class of shares in the Company, and of committees; and
  - (d) all proceedings of managers (if any).

### **SECRETARY AND RESIDENT REPRESENTATIVE**

141. The Secretary and Resident Representative shall be appointed by the Board at such remuneration (if any) and upon such terms as it may think fit and any Secretary and Resident Representative so appointed may be removed by the Board.



The duties of the Secretary and Resident Representative shall be those prescribed by the Companies Acts together with such other duties as shall from time to time be prescribed by the Board.

142. A provision of the Companies Acts or these Bye-Laws requiring or authorizing a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in the place of, the Secretary.

#### **THE SEAL**

143. (a) The seal of the Company shall be in such form as the Board may determine. The Board may adopt one or more duplicate seals for use outside Bermuda.
- (b) The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for that purpose, provided that any Director, Officer or Resident Representative, may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye-Laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.

#### **DIVIDENDS AND OTHER PAYMENTS**

144. The Board may from time to time declare dividends or distributions out of contributed surplus to be paid to the Shareholders according to their rights and interests including interim dividends as appear to the Board to be justified by the position of the Company. The Board may also pay any fixed dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company in the opinion of the Board, justifies such payment.
145. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:
- (a) all dividends or distributions out of contributed surplus may be declared and paid according to the amounts paid up on the shares in respect of which the dividend or distribution is paid and an amount paid up on a share in advance of calls may be treated for the purpose of this Bye-Law as paid-up on the share;
- (b) dividends or distributions out of contributed surplus may be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend or distribution is paid.

146. The Board may deduct from any dividend, distribution or other moneys payable to a Shareholder by the Company on or in respect of any share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.
147. No dividend, distribution or other moneys payable by the Company on or in respect of any share shall bear interest against the Company unless otherwise provided by the rights attached to such share.
148. Any dividend distribution, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the mail addressed to the holder at his address in the Register or, as the case may be, a Branch Register or, in the case of joint holders, addressed to the holder whose name stands first in the Register or, as the case may be, a Branch Register in respect of the shares at his registered address as appearing in the Register or, as the case may be, a Branch Register or addressed to such person at such address as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first in the Register or, as the case may be, the Branch Register in respect of such shares, and shall be sent at his or their risk, and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.
149. Any dividend or proceeds of share repurchase or distribution out of contributed surplus unclaimed for a period of three years from the date of declaration of such dividend or proceeds of share repurchase or distribution shall be forfeited and shall revert to the Company, and the payment by the Board of any unclaimed dividend, distribution, interest or proceeds of share repurchase or other sum payable on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof.
150. The Board may direct payment or satisfaction of any dividend or distribution out of contributed surplus wholly or in part by the distribution of specific assets and, in particular, of paid up shares or debentures of any other body corporate, and where any difficulty arises in regard to such distribution or dividend the Board may settle it as it thinks expedient and, in particular, may authorize any person to sell and transfer any fractions or may ignore fractions altogether and may fix the value for distribution or dividend purposes of any such specific assets and may determine that cash payments shall be made to any Shareholders upon the basis of the value so fixed in order to secure



equality of distribution and may vest any such specific assets in trustees as may seem expedient to the Board.

### **RESERVES**

151. The Board may, before recommending or declaring any dividend or distribution out of contributed surplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

### **CAPITALIZATION OF PROFITS**

152. The Board may capitalise any amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such amount in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Shareholders.
153. The Board may capitalise any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in paying up in full, partly or nil paid shares of those Shareholders who would have been entitled to such amounts if they were distributed by way of dividend or distribution.
154. Where any difficulty arises in regard to any distribution under Bye-Law 152, the Board may settle the same as it thinks expedient and, in particular, may authorize any person to sell and transfer any fractions, may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so, or may ignore fractions altogether, and may determine that cash payments should be made to any Shareholders in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholders.

### **RECORD DATES**

155. Notwithstanding any other provision of these Bye-Laws the Directors may fix any date as the record date for:

- (a) determining the Shareholders entitled to receive any dividend or other distribution and such record date may be on, or not more than 30 days before or after, any date on which such dividend or distribution is declared;
- (b) determining the Shareholders entitled to receive notice of and to vote at any general meeting of the Company.

#### **ACCOUNTING RECORDS - INFORMATION**

- 156. The Board shall cause to be kept accounting records sufficient to give a fair presentation in all material respects of the state of the Company's affairs and to show and explain its transactions in accordance with the Companies Acts.
- 157. The records of account shall be kept at the Registered Office or at such other place or places as the Board thinks fit and shall at all times be open to inspection by the Directors; provided that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors to ascertain with reasonable accuracy the financial position of the Company at the end of each three-month period. No Shareholder (other than an Officer of the Company) shall have any right to inspect any accounting record or book or document of the Company except as required by any Listing Exchange, by law, by regulations or as authorized by the Board or by Ordinary Resolution.
- 158. Save and to the extent that the same is waived in the manner permitted by the Companies Acts, a copy of the financial statements which are to be laid before the Company in general meeting, together with a copy of the auditor's report, shall be sent to each person entitled thereto by sending it through the mail (by airmail where applicable) in a prepaid letter addressed to such Shareholder at his address as appearing in the Register or by delivering it to or leaving it at such registered address or by sending it by way of an electronic e-mail in accordance with the Electronic Transactions Act at the email address for such Shareholder as he shall have provided for this purpose for registration in the Register in accordance with the requirements of the Companies Acts and (without prejudice to the generality of Bye-Law 165) the requirements of this Bye-Law shall be met by the publication of the relevant document as an electronic record on a website designated for the purpose by the Company.

#### **AUDIT**

- 159. Save and to the extent that an audit is waived in the manner permitted by the Companies Acts, auditors shall be appointed and their duties regulated in accordance with the Companies Acts, any other applicable law and such requirements not inconsistent with



the Companies Acts as the Board may from time to time determine, save that the fees of the auditor shall be determined by Ordinary Resolution.

#### **ACCESS TO MANAGEMENT AND INFORMATION RIGHTS**

160. For so long as any Notes are outstanding, the Company shall provide to each Investor such information as the Company is obliged to provide to the Trustee or otherwise make available pursuant to Article 4.03 (or any successor provision) of the Notes Indenture (unless such Investor notifies the Company that it does not desire to receive such information or a portion thereof). All information provided in accordance with this Bye-Law will be provided to Investors no later than such information is provided under the terms of the Notes Indenture.
161. In the event that an Investor's Percentage Interest is equal to or exceeds five per cent., such Investor (including its authorized representatives) shall, insofar as permitted under applicable laws, have, upon reasonable notice to the Company, a right of reasonable access to visit and inspect any property owned by the Company or any of its Subsidiaries, including books of account and other records and to discuss the affairs, finances and accounts relating to such properties with the relevant Officer of the Company. Access shall be available during normal business hours only and shall not interfere unreasonably with the usual conduct of the Company or its Subsidiaries.
162. Subject to Bye-Law 160, to the extent that an Investor's Percentage Interest is equal to or exceeds ten per cent., the Company shall, upon request, provide to each such Investor (or in the case of Hemen, a Hemen Director to provide to Hemen) any and all written information provided to the Board at substantially the same time as the Board first receives such information.
163. Bye-Law 162 shall apply only to the extent that the Company is satisfied that each such Investor to which information is to be provided: (i) is subject to appropriate confidentiality arrangements; (ii) is restricted from dealing in the Company's Equity Securities; (iii) does not possess cleansing rights against the Company; and (iv) may receive the information pursuant to applicable laws.
164. Nothing in these Bye-Laws shall oblige the Company or any of its Subsidiaries, Directors, Officers, employees or the agents of any of them to provide or disclose any non-public, price-sensitive information, information which is confidential to the Company or any of its Subsidiaries, or information prohibited from disclosure by applicable law (including each Director's fiduciary duties).

## SERVICE OF NOTICES AND OTHER DOCUMENTS

165. Any notice or other document (including a share certificate) shall be in writing (except where otherwise expressly stated) and may be served on or delivered to any Shareholder by the Company either personally or by sending it through the mail (by airmail where applicable) in a prepaid letter addressed to such Shareholder at his address as appearing in the Register or by delivering it to or leaving it at such registered address or by sending it by way of an electronic e-mail in accordance with the Electronic Transactions Act at the email address for such Shareholder as he shall have provided for this purpose for registration in the Register. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed as sufficient service on or delivery to all the joint holders. Any notice or other document if sent by mail shall be deemed to have been served or delivered two Business Days after it was put in the mail; and, in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the mail. Any notice or document delivered in electronic record form shall be deemed to be served on delivery twenty-four hours after its dispatch and in proving service of delivery it shall be sufficient to prove that the notice or document was sent to the electronic mail address as appearing in the Register.
166. Any notice of a general meeting of the Company shall be deemed to be duly given to a Shareholder if it is sent to him by telecopier, electronic mail or other mode of representing or reproducing words in a legible and non-transitory form at his postal or electronic address as appearing in the Register or any other address given by him to the Company for this purpose. The Shareholders are obliged to keep the Company advised of any change of postal address and e-mail address for service of notice and other documents.
- 166A(1) A Shareholder may provide to the Company an address or number for the purposes of communication with such Shareholder by electronic means (an “electronic address”), and in any case where a Shareholder has provided to the Company an electronic address, the Company may deliver to the Shareholder any notice or other document required to be provided to such Shareholder under the Companies Acts or these Bye-Laws by the delivery of an electronic record of the notice or document, and such electronic record shall be deemed to have been delivered to a Shareholder when it is sent to the electronic address provided by such Shareholder.
- 166A(2) Notwithstanding any other provision of these Bye-Laws, any document required to be provided to a Shareholder by the Company may be provided by the Company sending to a Shareholder a notice pursuant to Bye-Law 165 or Bye-Law



166A(1) notifying such Shareholder that the Company intends to publish such document on a website designated by the Company, and such document shall be deemed to have been provided to such Shareholder when it is published on such website.

166A(3) By virtue of this Bye-Law 166A(3), each Shareholder shall be deemed to have agreed for all purposes of the Companies Acts and these Bye-Laws that, subject to notification in each case pursuant to Bye-Law 166A(2), such Shareholder may be provided by the Company with all documents of any kind to be provided under the Companies Acts or these Bye-Laws (including any documents accompanying any other document) by accessing such documents on a website designated by the Company for the purpose, instead of the documents being provided by any other means.

167. Any notice or other document delivered, sent or given to a Shareholder in any manner permitted by these Bye-Laws shall, notwithstanding that such Shareholder is then dead or bankrupt or that any other event has occurred, and whether or not the Company has received notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Shareholder as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed as sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

#### **WINDING UP**

168. If the Company shall be wound up, the liquidator may, with the sanction of an Extraordinary Resolution and any other sanction required by the Companies Acts, divide among the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributors as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

## INDEMNITY

169. No Director, Alternate Director, Officer, member of a committee authorized under Bye-Law 122, Resident Representative of the Company or their respective heirs, executors or administrators shall be liable for any acts, receipts, neglects, or defaults of them, of any other such person or of any person involved in the formation of the Company, or for any loss or expense incurred by the Company through the insufficiency or deficiency of title to any property acquired by the Company, or for the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any monies, securities, or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default, or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of his duties, or supposed duties, to the Company or otherwise in relation thereto.
170. Every Director, Alternate Director, Officer, member of a committee constituted under Bye-Law 122, Resident Representative of the Company or their respective heirs, executors or administrators shall be indemnified and held harmless out of the funds of the Company to the fullest extent permitted by Bermuda law against all liabilities loss damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such Director, Alternate Director, Officer, committee member or Resident Representative in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election.
171. Every Director, Alternate Director, Officer, member of a committee constituted under Bye-Law 122, Resident Representative of the Company and their respective heirs, executors or administrators shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Director, Alternate Director, Officer, member of a committee constituted under Bye-Law 122, Resident Representative in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.
172. To the extent that any Director, Alternate Director, Officer, member of a committee constituted under Bye-Law 122, Resident Representative of the Company or any of their respective heirs, executors or administrators is entitled to claim an indemnity pursuant to these Bye-Laws in respect of amounts paid or discharged by him, the relative indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge.



173. The Board may arrange for the Company to be insured in respect of all or any part of its liability under the provision of these Bye-Laws and may also purchase and maintain insurance for the benefit of any Directors, Alternate Directors, Officers, person or member of a committee authorized under Bye-Law 122, employees or Resident Representatives of the Company in respect of any liability that may be incurred by them or any of them howsoever arising in connection with their respective duties or supposed duties to the Company. This Bye-Law shall not be construed as limiting the powers of the Board to effect such other insurance on behalf of the Company as it may deem appropriate.
174. Notwithstanding anything contained in the Principal Act, the Company may advance moneys to an Officer or Director for the costs, charges and expenses incurred by the Officer or Director in defending any civil or criminal proceedings against them on the condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty is proved against them.
175. Each Shareholder agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director, Alternate Director, Officer of the Company, person or member of a committee authorized under Bye-Law 122, Resident Representative of the Company or any of their respective heirs, executors or administrators on account of any action taken by any such person, or the failure of any such person to take any action in the performance of his duties, or supposed duties, to the Company or otherwise in relation thereto.
176. The restrictions on liability, indemnities and waivers provided for in Bye-Laws 169 to 175 inclusive shall not extend to any matter which would render the same void pursuant to the Companies Acts.
177. The restrictions on liability, indemnities and waivers contained in Bye-Laws 169 to 175 inclusive shall be in addition to any rights which any person concerned may otherwise be entitled by contract or as a matter of applicable Bermuda law.

#### **ALTERATION OF BYE-LAWS**

178. For as long as Hemen's Percentage Interest is equal to or exceeds five per cent., the Company shall not, without the prior written consent of Hemen, amend these Bye-Laws or its memorandum of association in any way that would modify or otherwise affect:
  - (i) Hemen's right to appoint the Hemen Directors and/or the Independent Nominees; or
  - (ii) the rights and powers of the Hemen Directors and/or the Independent Nominees once appointed.

179. For as long as Centerbridge retains at least 50 per cent. of the Initial Centerbridge Investment, the Company shall not, without the prior written consent of Centerbridge, amend these Bye-Laws or its memorandum of association in any way that would modify or otherwise negatively impact: (i) Centerbridge's right to appoint the Centerbridge Director; or (ii) the rights and powers of the Centerbridge Director once appointed.
180. Subject to Bye-Laws 178 and 179, these Bye-Laws may be amended from time to time in the manner provided for in the Companies Acts, provided that any such amendment shall only become operative to the extent that it has been confirmed by Ordinary Resolution.



**APPENDIX B:**

**AUDITED INTERIM FINANCIAL INFORMATION FOR SEADRILL LIMITED (FOR THE PERIOD 14 MARCH  
2018 – 31 MARCH 2018)**

**Seadrill Limited**  
**(formerly New SDRL Limited)**

**INTERIM FINANCIAL STATEMENTS**

**For the period from incorporation on  
14 March 2018 to 31 March 2018**

**Seadrill Limited**

*INDEX TO THE INTERIM FINANCIAL STATEMENTS*

Independent Accountants' Report	F-1
Balance Sheet as of 31 March 2018	F-3
Statement of Changes in Equity for the period ended 31 March 2018	F-4
Notes to the Interim Financial Statements	F-5



The Directors  
Seadrill Limited  
Par-la-Ville Place, 4th Floor  
14 Par-la-Ville Road  
Hamilton  
HM 08 Bermuda

July 25, 2018

Dear Sirs

**Seadrill Limited**

We report on the financial information for the period from incorporation on March 14, 2018 to March 31, 2018 set out in pages F-3 to F-9 of Appendix B below (the “**Interim Financial Statements**”). The Interim Financial Statements have been prepared for inclusion in the prospectus dated July 25, 2018 (the “**Prospectus**”) of Seadrill Limited (the “**Company**”) on the basis of the accounting policies set out in note 2 to the Interim Financial Statements. This report is required by the Norwegian Securities Trading Act and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the Interim Financial Statements in accordance with accounting principles generally accepted in the United States of America.

It is our responsibility to form an opinion as to whether the Interim Financial Statements give a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under the Norwegian Securities Trading Act to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

*PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH  
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the Interim Financial Statements give, for the purposes of the Prospectus dated July 25, 2018, a true and fair view of the state of affairs of the Company as at the date stated and of its changes in equity for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Yours faithfully

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants

**Seadrill Limited**

**BALANCE SHEET**

(In \$)

Note

As at  
31 March 2018

**ASSETS**

**Current assets**

Receivable from shareholder

3

100

**Total current assets**

**100**

**Total assets**

**100**

**Equity**

Share capital (1,000 authorized and issued ordinary shares of \$0.10 par value each)

4

100

**Total equity**

**100**

**Total liability and equity**

**100**

See accompanying notes that are an integral part of these Interim Financial Statements.

Approved on behalf of the Board of Directors by:



Harald Thorstein  
25 July 2018

**Seadrill Limited**

**STATEMENT OF CHANGES IN EQUITY**

*(In \$)*

	Note	Share capital	Total equity
<b>Issue of share capital on incorporation on 29 March 2018</b>	<b>4</b>	<b>100</b>	<b>100</b>
<b>Balance at 31 March 2018</b>		<b>100</b>	<b>100</b>

*See accompanying notes that are an integral part of these Interim Financial Statements.*

There are no transactions other than those reflected in the Balance Sheet and Statement of Changes in Equity.



## **Seadrill Limited**

### **Notes to the Interim Financial Statements**

#### **Note 1 – General information**

Seadrill Limited (formerly New SDRL Limited) is a company limited by shares incorporated in Bermuda and its registered address is Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, HM 08, Bermuda.

The principal activity of the company during the period was that of a holding company. To date, the company has not conducted any material activities other than those that are incidental to its formation (see Note 5, Subsequent events).

On 14 March 2018, the company was incorporated and authorized 1,000 Ordinary shares at par value of \$0.10. These were subsequently issued on 29 March 2018.

#### **Basis of presentation**

The interim financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The amounts are presented in United States dollar (\$), unless otherwise stated.

The interim financial statements are presented for the period from incorporation 14 March to 31 March 2018. The interim financial statements have been prepared for the purposes of the prospectus as required by the Norwegian Securities Trading Act.

The financial information has been prepared on a going concern basis and contemplate the realization of assets and satisfaction of liabilities in the normal course of business.

The accounting policies set out below have been applied consistently in the interim financial statements.

#### **Note 2 – Significant Accounting Policies**

##### *Receivable from shareholder*

Amounts receivable from shareholder refer to the initial capital contribution from Seadrill Limited (Seadrill) that was not settled at the balance sheet date. This was subsequently settled in cash.

##### *Current and non-current classification*

Assets and liabilities are classified as current assets and liabilities respectively, if their maturity is within one year of the balance sheet date. Otherwise, they are classified as non-current assets and liabilities.

##### *Share capital*

Ordinary shares are classified as equity.

##### *Recently Issued Accounting Standards*

The FASB have issued the following accounting standard update ("ASU") that the Company has not yet adopted but which could affect the interim financial statements in future periods.

##### *ASU 2016-13 - Financial Instruments - Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted only from January 1, 2019. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as at the beginning of the first reporting period in which the guidance is adopted.

The impact of this standard update will be evaluated in due course. The Company does not currently expect this guidance to significantly affect the financial information when adopted.

## Seadrill Limited

### Notes to the Interim Financial Statements

#### Note 3 – Current assets

	As at 31 March 2018
	\$
Receivable from shareholder	100
<b>Total current assets</b>	<b>100</b>

#### Note 4 – Share capital

	As at 31 March 2018
	\$
Authorized share capital	100
<b>Issued and unpaid share capital</b>	<b>100</b>

*1,000 authorized and issued ordinary shares of \$0.10 par value each. The shares were fully paid on 15 May 2018.*

#### Note 5 – Subsequent events

Events which arose after the balance sheet date, through to the date the Interim Financial Statements become approved were evaluated. The following non-adjusting post balance sheet events, relating to Seadrill's Plan of Reorganization (Plan) and emergence from bankruptcy on 2 July 2018, arose subsequent to 31 March 2018:

On 30 April 2018 Seadrill, the Company's parent, contributed a \$30,670,446 receivable with Golden Dream Shipping Company Ltd to the Company.

On 14 May 2018 Seadrill Larissa Limited transferred a \$1,888,107 receivable from Seadrill to the Company.

On 14 May 2018 Seadrill Janus Limited transferred a \$2,419,341 receivable from Seadrill to the Company.

On 14 May 2018 Subsea Drilling (IV) Limited transferred a \$32,409,501 receivable from Seadrill to the Company.

On 22 May 2018 the Company received a capital gift from Seadrill of 100% shareholdings in the following entities, at book value totalling \$1,039,744,854:

- Seadrill Hyperion Ltd
- Seadrill Mimas Ltd
- Seadrill Umbriel Ltd
- Seadrill Libra Ltd
- Seadrill Draco Ltd
- Seadrill Aquila Ltd
- Seadrill Dorado Ltd
- Seadrill Dione Ltd
- Seadrill Titan Ltd
- Seadrill Rhea Ltd
- Seadrill Tethys Ltd
- Seadrill Proteus Ltd.

## Seadrill Limited

### Notes to the Interim Financial Statements

On 22 May 2018 the Company received a capital gift from Seadrill of 100% shareholdings in the following entities, at book value totalling \$173,020,573:

- Seadrill Larissa Limited
- Golden Dream Shipping Company Ltd
- Seadrill Janus Limited
- Subsea Drilling III Ltd
- Subsea Drilling IV Ltd
- Seadrill Offshore Singapore Pte. Ltd
- Seabras Holdings GmbH
- Seadrill Operating LP Holdco Limited
- Seadrill Capricorn Holdco Limited
- Seadrill Member Holdco Limited
- Seadrill Seabras SP Holdco Limited
- Seadrill Archer Holdco Limited
- Seadrill Seabras SR Holdco Limited

On 23 May 2018 the Company received a capital gift from Seadrill of 39% shareholding in Seadrill Deepwater Drillship Ltd, at book value totalling \$95,955,091.

On 31 May 2018 the Company acquired a 100% shareholding in North Atlantic Rigel Limited from Seadrill North Atlantic Holdings Limited with Seadrill North Atlantic Holdings Limited transferring \$1,192,542 in cash in consideration for the Company assuming North Atlantic Rigel Limited's net liabilities.

On 1 June 2018 the Company received a \$180,000,000 cash contribution from Seadrill.

On 1 June 2018 the Company assumed the obligations and had contributed to it the related prepayments and retainers in respect of professional fees from Seadrill in relation to the Seadrill's Plan of Reorganization.

On 7 June 2018 the Company purchased shares in Seadrill North Atlantic Holdings Limited from North Atlantic Drilling Limited in consideration for:

- (i) The Company procuring that Seadrill North Atlantic Holdings Limited will:
  - (a) assume the borrower liabilities of North Atlantic Drilling Limited (NADL) under its Secured Bank Facility effective on the amendment and restatement of these facilities, expected on the emergence of Seadrill from Bankruptcy;
  - (b) execute new security documents in replacement of, or become a party to, existing security documents entered into by North Atlantic Drilling Limited in connection with its Secured Bank Facility; and
  - (c) assume liabilities under any non-Secured Bank Facility related documents to which North Atlantic Drilling Limited is a party and which are intended to remain in place following the occurrence of the Plan Effective Date under the terms of Seadrill's Plan; and
- (ii) The Company issuing new shares, certain rights offering subscription rights, and cash consideration to North Atlantic Drilling Limited's general unsecured creditors (including the NADL bondholders) in accordance with the terms of the Plan.

On 13 June 2018 the Company acquired a 100% shareholding in Sevan Drilling Rig VI AS from Seadrill Sevan Holdings Limited for consideration of \$680,151.

## Seadrill Limited

### Notes to the Interim Financial Statements

On 13 June 2018 the Company purchased shares in Seadrill Sevan Holdings Limited from Sevan Drilling Limited in consideration for:

- (i) The Company procuring that Seadrill Sevan Holdings Limited will:
  - (a) assume Sevan Drilling Limited's liabilities under its Secured Bank Facility effective on the amendment and restatement of these facilities, expected on the emergence of Seadrill from Bankruptcy;
  - (b) execute new security documents in replacement of, or become a party to, existing security documents entered into by Sevan Drilling Limited in connection with its Sevan Secured Bank Facility,
  - (c) assume liabilities under any non-Secured Bank Facility related documents to which Sevan Drilling Limited is a party and which are intended to remain in place following the occurrence of the Plan Effective Date under the terms of Seadrill's Plan; and
- (ii) The Company issuing new shares, certain rights offering subscription rights, and cash consideration to Sevan Drilling Limited's general unsecured creditors, if any, in accordance with the terms of the Plan.

On 15 June 2018 the Company received a capital gift from Seadrill of 100% shareholding in Seadrill Investment Holding Company Limited in consideration that the Company:

- (a) will assume the guarantor liabilities of Seadrill under Seadrill's Secured Bank Facilities effective on the amendment and restatement of these facilities, expected on the emergence of Seadrill from Bankruptcy;
- (b) assume any of non-Secured Bank Facility related documents to which Seadrill is a party and which are intended to remain in place following the occurrence of the Plan Effective Date under the terms of Seadrill's Plan; and
- (c) assume liabilities under existing performance guarantees issued by Seadrill or issue new performance guarantees, in each case in connection with service and drilling contracts entered into by subsidiaries of the Group.

On 15 June 2018 the Company contributed its 100% shareholding in Seadrill North Atlantic Holdings Limited, acquired on 7 June 2018, to Seadrill Investment Holding Company Limited at book value.

On 15 June 2018 the Company contributed its 100% shareholding in Seadrill Sevan Holdings Limited, acquired on 7 June 2018, to Seadrill Investment Holding Company Limited at book value.

On 26 June 2018 the Company contributed \$185,000,000 of cash to Seadrill Investment Holding Company Limited.

On 2 July the Company changed its name to Seadrill Limited and as part of the Plan became the ultimate holding company for Seadrill's previous subsidiaries.

On 2 July the Company bought back the initially issued 1,000 ordinary shares at par.

On 2 July the following persons were appointed as Directors:

- Birgitte Vartdal
- Eugene Davis
- Harald Thorstein
- John Fredriksen
- Kjell-Erik Ostdahl
- Peter J. Sharpe
- Scott D. Vogel

Effective on this date the following persons resigned as Directors of the Company:

- Claire Burnard
- Georgina Sousa
- Kate Blankenship
- David Weinstein.

## **Seadrill Limited**

### **Notes to the Interim Financial Statements**

On the 2 July 2018, the Company increased its authorized share capital to 111,111,111 ordinary shares with a par value of USD 0.10. 100,000,000 ordinary shares were issued pursuant to the terms of the Plan for \$200,000,000 cash. An aggregate of 11,111,111 ordinary shares were authorized but not issued and are reserved for issuance under the Employee Incentive Plan.

**APPENDIX C:**

**INDEPENDENT AUDITOR'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION**



The Directors  
Seadrill Limited  
Par-la-Ville Place, 4th Floor  
14 Par-la-Ville Road  
Hamilton  
HM 08 Bermuda

July 25, 2018

Dear Sirs

**Seadrill Limited (the “Company”)**

We report on the pro forma financial information (the “**Pro Forma Financial Information**”) set out in section 11 of the Company’s prospectus dated July 25, 2018 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Chapter 11 reorganization might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended December 31, 2017. This report is required by Annex II item 7 of EU Regulation NO 809/2004 as included in the Norwegian Securities Trading Act and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with the requirements of EU Regulation NO 809/2004 as included in the Norwegian Securities Trading Act.

It is our responsibility to form an opinion, as required by Annex II item 7 of EU Regulation NO 809/2004 as included in the Norwegian Securities Trading Act as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under Annex II item 7 of EU Regulation NO 809/2004 as included in the Norwegian Securities Trading Act to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex II item 7 of EU Regulation NO 809/2004 as included in the Norwegian Securities Trading Act.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH  
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.





### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants

**APPENDIX D:**

**EXHIBIT G TO THE DISCLOSURE STATEMENT FILED WITH THE BANKRUPTCY COURT ON 26 FEBRUARY  
2018**

**Exhibit G**

**Financial Projections**

## **EXHIBIT G**

### **Financial Projections**

The Debtors believe that the Plan<sup>1</sup> meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the planning and development of a plan of reorganization and for the purposes of determining whether such plan would satisfy this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources.

The Debtors do not, as a matter of course, publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or the Financial Projections to holders of Claims or other parties in interest going forward, or to include such information in documents required to be filed with the SEC or otherwise make such information public, unless required to do so by the SEC or other regulatory bodies pursuant to the provisions of the Plan.

In connection with the Disclosure Statement, the Debtors' management team ("Management") prepared the Financial Projections for the years 2018 through 2022 (the "Projection Period"). The Financial Projections were prepared by Management and are based on a number of assumptions made by Management with respect to the future performance of the Reorganized Debtors' operations.

The Debtors have prepared the Financial Projections based on information available to them, including information derived from public sources that have not been independently verified, as well as input from analyses commissioned by third-parties. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness, or reliability of the information, opinions, or conclusions expressed herein.

THESE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH PUBLISHED GUIDELINES OF THE SEC OR GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOR PREPARATION AND PRESENTATION OF PROSPECTIVE FINANCIAL INFORMATION. THE PRO FORMA BALANCE SHEET REFLECTS A PRELIMINARY HIGH LEVEL PRESENTATION OF WHAT A FRESH START ACCOUNTING ESTIMATE MAY LOOK LIKE, BUT IS SUBJECT TO MATERIAL CHANGE AND DOES NOT REFLECT A FULL FRESH START ACCOUNTING ANALYSIS, WHICH COULD RESULT IN A MATERIAL CHANGE TO ANY OF THE PROJECTED VALUES.

---

<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement, to which this Liquidation Analysis is attached as **Exhibit G** or the Plan attached to the Disclosure Statement as **Exhibit A**.

ALTHOUGH MANAGEMENT HAS PREPARED THE FINANCIAL PROJECTIONS IN GOOD FAITH AND BELIEVES THE ASSUMPTIONS TO BE REASONABLE, IT IS IMPORTANT TO NOTE THAT NEITHER THE DEBTORS NOR THE REORGANIZED DEBTORS CAN PROVIDE ANY ASSURANCE THAT SUCH ASSUMPTIONS WILL BE REALIZED. AS DESCRIBED IN DETAIL IN THE DISCLOSURE STATEMENT, A VARIETY OF RISK FACTORS COULD AFFECT THE REORGANIZED DEBTORS' FINANCIAL RESULTS AND MUST BE CONSIDERED. ACCORDINGLY, THE FINANCIAL PROJECTIONS SHOULD BE REVIEWED IN CONJUNCTION WITH A REVIEW OF THE DISCLOSURE STATEMENT AND THE ASSUMPTIONS DESCRIBED HEREIN, INCLUDING ALL RELEVANT QUALIFICATIONS AND FOOTNOTES.

The Financial Projections contain certain forward-looking statements, all of which are based on various estimates and assumptions. Such forward-looking statements are subject to inherent uncertainties and to a wide variety of significant business, economic, and competitive risks, including those summarized herein. When used in the Financial Projections, the words "anticipate," "believe," "estimate," "will," "may," "intend," and "expect" and similar expressions generally identify forward-looking statements. Although the Debtors believe that their plans, intentions, and expectations reflected in the forward-looking statements are reasonable, they cannot be sure that they will be achieved. These statements are only predictions and are not guarantees of future performance or results. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by a forward-looking statement. All forward-looking statements attributable to the Debtors or Persons or Entities acting on their behalf are expressly qualified in their entirety by the cautionary statements set forth herein. Forward-looking statements speak only as of the date on which they are made. Except as required by law, the Debtors expressly disclaim any obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

The Financial Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety as well as the notes and assumptions set forth below.

## **1) General Assumptions**

### **A. Overview**

The Debtors and their consolidated subsidiaries are an offshore drilling contractor providing worldwide offshore drilling services to the oil and gas industry. The Debtors' primary business is the ownership and operation of drillships, semi-submersible rigs, and jack-up rigs for operations in shallow-, mid-, deep-, and ultra-deepwater areas, in benign and harsh environments. We contract our drilling units primarily on a dayrate basis to drill wells for our customers, who are oil super-majors and major integrated oil and gas companies, state-owned national oil companies, and independent oil and gas companies. We also provide management services to certain nonconsolidated companies in which we hold investments.

**B. Presentation**

The Financial Projections are presented on a basis of accounting generally consistent with Generally Accepted Accounting Principles (“GAAP”). GAAP requires that majority owned subsidiaries be reported under the consolidation method of accounting. To that end, in addition to Seadrill Limited and its wholly-owned subsidiaries, the Debtors have shown all consolidated entities (*i.e.*, NADL, Sevan, AOD, and their respective subsidiaries) herein.

**C. Accounting Policies**

The Financial Projections have been prepared using accounting policies that are materially consistent with those applied in the Debtors’ historical financial statements and projections. The Financial Projections may not reflect all of the adjustments necessary to implement fresh-start accounting pursuant to ASC 852-10, as issued by the American Institute of Public Accountants.

**D. Methodology**

In developing the Financial Projections, the Debtors reviewed their fleet’s current contracted status and made an assessment of whether or not these contracts were likely to continue, as well as an assessment of future speculative recontracting dayrates and utilization. The forecast was developed on a portfolio basis, and the Debtors evaluated utilization of the overall fleet over the forecast period.

**E. Plan Consummation**

The operating assumptions assume that the Plan will be confirmed and consummated by June 30, 2018 and reflect the estimated cash impact of claim class treatments.

**2) Assumptions With Respect to the Projected Income Statement**

**A. Revenue**

In the Financial Projections, revenues are forecasted for the fleet based on expected dayrates, utilization and operating efficiency for existing contracts and future speculative contracts. In preparing the Financial Projections, the Debtors commissioned a report from a third-party containing estimates on prevailing dayrates and utilization through 2022. As rigs come off contract, these estimates are used to project the revenues on future speculative contracts.

**B. Operating Expenses**

Operating costs (“OpEx”) are projected based on historical daily offshore operating costs (adjusted for cost reduction efforts) and expected utilization of the fleet based on current contracts and expectations regarding future speculative contracts. OpEx is projected on a daily basis and based on the type of rig, both for working rigs and for stacked rigs on a reduced basis.

The daily OpEx costs are projected to grow beyond 2018 at a rate of 4% to 8% per annum through the projection period.

**C. General and Administrative**

General and Administrative Costs (“SG&A”) are primarily comprised of labor costs, legal expenses, and other expenses associated with the Debtors’ corporate overhead. Projected SG&A is based primarily on historical SG&A costs, adjusted for recent cost reduction efforts. Annual SG&A is projected to be \$164 million in 2018 with annual increases of 4% to 8% through the projection period.

**D. Depreciation and Amortization**

Depreciation and Amortization reflects the anticipated depreciation and amortization of the existing fleet, based on net book values.

**E. Interest Expense**

Interest expense post-emergence is forecasted based on the Debtors’ proposed capital structure (including the New Secured Notes (“NSNs”) to be issued under the Plan) as more fully described in the Plan and the exhibits thereto.

**F. Income Tax (Expense) Benefit**

Income tax is estimated as a percentage of revenue based on the jurisdictional mix of Debtors’ business.

**3) Assumptions with Respect to the Projected Balance Sheet and Projected Statement of Cash Flows**

**A. Working Capital**

Working capital assumptions are based on movements in accounts receivable, which is calculated based on historical days sales outstanding.

**B. Pro Forma Adjustments Related to Emergence**

The balance sheet (“Balance Sheet”) included in the Financial Projections presents a pro forma view of June 2018, assuming the effect of certain adjustments related to the Debtors’ emergence from bankruptcy. The adjustments are based on estimates; actual adjustments will be based on the determined fair value and may be materially different from those presented herein.

**C. Investments in Associated Companies**

Investments in associated companies reflects ownership interests in entities not consolidated on the Debtors’ balance sheet. Carrying balance is reduced by distributions from non-consolidated entities and no share in net results was projected at these entities during the projection period.



#### **D. Capital Structure**

The pro forma June 2018 Balance Sheet reflects the following key assumptions:

- \$5,662 million of reinstated bank debt across 12 facilities, amortizing beginning in March 2020 according to the schedule set out in Annex 2 of the Restructuring Support Agreement, with maturities ranging from June 2022 to December 2024 and cash interest ranging from LIBOR plus 3.0% to LIBOR plus 4.25%;
- \$1,060 million of sale-leaseback obligations with Ship Finance Limited (“SFL”) with payments that run through May 2029;
- \$860 million of NSNs with 7 year maturity and 12% interest, including 4% cash interest and 8% PIK interest;
- \$200 million of equity investment issued upon emergence from bankruptcy on June 30, 2018;

#### **E. Capital Expenditures**

The Financial Projections for capital expenditures were prepared with consideration of the needs of Debtor’s fixed assets. Capital expenditures primarily relate to sustaining capital needs to maintain each rig in proper working condition as well as capital required for customer related upgrades and other shipyard projects and repairs, including the requirements of special periodic surveys on each rig. Capital expenditures also include capitalized corporate expenditures such as certain information technology expenditures required to maintain Debtors’ information technology equipment and software.

### Consolidated Statement of Income

<i>US\$ millions</i>	<b>2H 2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total operating revenues	535	2,152	2,662	2,939	3,192
Total operating expenses	(395)	(1,196)	(1,284)	(1,412)	(1,479)
<b>EBITDA</b>	<b>\$140</b>	<b>\$956</b>	<b>\$1,378</b>	<b>\$1,527</b>	<b>\$1,713</b>
Total depreciation & amortization	(186)	(381)	(382)	(376)	(368)
<b>Operating Income</b>	<b>(\$45)</b>	<b>\$575</b>	<b>\$995</b>	<b>\$1,151</b>	<b>\$1,345</b>
Interest expense	(213)	(438)	(444)	(428)	(408)
<b>Income before income taxes</b>	<b>(\$258)</b>	<b>\$137</b>	<b>\$551</b>	<b>\$723</b>	<b>\$937</b>
Income taxes	(25)	(115)	(144)	(167)	(181)
<b>Net Income</b>	<b>(\$283)</b>	<b>\$22</b>	<b>\$407</b>	<b>\$556</b>	<b>\$755</b>

## Consolidated Balance Sheet

<i>US\$ millions</i>	After Emergence						
	2017 Q3	2018 Q2	2018	2019	2020	2021	2022
<i>CURRENT ASSETS</i>							
Cash and cash equivalents	1,061	1,614	1,405	1,170	1,236	1,406	1,674
Restricted cash	95	95	95	95	95	95	95
Marketable securities	132	117	117	117	117	117	117
Accounts receivable	427	354	324	487	597	639	679
Other current assets	523	364	364	364	364	364	364
<b>Total current assets</b>	<b>2,238</b>	<b>2,543</b>	<b>2,305</b>	<b>2,233</b>	<b>2,408</b>	<b>2,621</b>	<b>2,929</b>
<i>FIXED ASSETS</i>							
Investment in associated companies	1,550	2,053	2,033	1,993	1,953	1,913	1,873
Drilling units	14,349	7,505	7,455	7,566	7,467	7,324	6,864
Other non-current assets	775	236	236	236	236	236	236
<b>Total fixed assets</b>	<b>16,674</b>	<b>9,794</b>	<b>9,724</b>	<b>9,795</b>	<b>9,657</b>	<b>9,473</b>	<b>9,203</b>
<b>Total assets</b>	<b>18,912</b>	<b>12,337</b>	<b>12,030</b>	<b>12,028</b>	<b>12,065</b>	<b>12,094</b>	<b>12,133</b>
<i>CURRENT LIABILITIES</i>							
Short-term interest bearing debt	309	102	102	460	623	623	623
Other current liabilities	160	618	618	618	618	618	618
<b>Total current liabilities</b>	<b>469</b>	<b>720</b>	<b>720</b>	<b>1,078</b>	<b>1,241</b>	<b>1,241</b>	<b>1,241</b>
<i>NON-CURRENT LIABILITIES</i>							
Long-term interest bearing debt	1,025	7,480	7,456	7,074	6,541	6,014	5,297
Deferred taxes and other non current liabilities	172	98	98	98	98	98	98
<b>Total non-current liabilities</b>	<b>1,197</b>	<b>7,578</b>	<b>7,554</b>	<b>7,172</b>	<b>6,639</b>	<b>6,112</b>	<b>5,395</b>
Liabilities subject to compromise	8,348	-	-	-	-	-	-
<i>SHAREHOLDERS' EQUITY</i>							
Shareholders' equity	8,481	4,008	3,725	3,746	4,154	4,710	6,220
Non-controlling interest	417	32	32	32	32	32	32
<b>Total shareholders' equity</b>	<b>8,898</b>	<b>4,040</b>	<b>3,756</b>	<b>3,778</b>	<b>4,185</b>	<b>4,741</b>	<b>5,497</b>
<b>Total shareholders' equity and liabilities</b>	<b>18,912</b>	<b>12,337</b>	<b>12,030</b>	<b>12,028</b>	<b>12,065</b>	<b>12,094</b>	<b>12,133</b>

### Consolidated Statement of Cash Flows

<i>US\$ millions</i>	<b>2H 2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Operating activities</i>					
Net Income	(283)	22	407	556	755
Add: Depreciation and amortization	186	381	382	376	368
Add: PIK Interest	35	74	80	86	94
Change in working capital	30	(163)	(110)	(43)	(40)
Other, net	10	19	16	13	9
<b>Total cash flow from operations</b>	<b>(23)</b>	<b>332</b>	<b>776</b>	<b>989</b>	<b>1,187</b>
<i>Investing activities</i>					
<b>Total cash flow from investing activities</b>	<b>(136)</b>	<b>(492)</b>	<b>(284)</b>	<b>(233)</b>	<b>(138)</b>
<i>Financing activities</i>					
Proceeds/repayment of long-term debt	(69)	(116)	(466)	(626)	(820)
Other, net	20	40	40	40	40
<b>Net cash from financing activities</b>	<b>(49)</b>	<b>(76)</b>	<b>(426)</b>	<b>(586)</b>	<b>(780)</b>
<b>Net change cash in period</b>	<b>(208)</b>	<b>(236)</b>	<b>66</b>	<b>170</b>	<b>269</b>
<b>Cash and cash equivalents beginning of period</b>	1,614	1,405	1,170	1,236	1,406
<b>Cash and cash equivalents end of period</b>	1,405	1,170	1,236	1,406	1,674

**APPENDIX E:**

**EXHIBIT H TO THE DISCLOSURE STATEMENT FILED WITH THE BANKRUPTCY COURT ON 26 FEBRUARY  
2018**

**Exhibit H**

**Valuation Analysis**

## **EXHIBIT H**

### **Valuation Analysis**

#### **1) Estimated Enterprise Valuation of the Reorganized Debtors**

THE VALUATION INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN.<sup>1</sup> THIS VALUATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS OR INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS OR ANY OF THEIR AFFILIATES.

Solely for purposes of the Disclosure Statement, Houlihan Lokey Capital, Inc. (“Houlihan Lokey”), as investment banker and financial advisor to the Debtors, has estimated the Total Distributable Value (as defined below) in these chapter 11 cases, which reflects the following components of value:

- the estimated enterprise value (the “Consolidated Operating Company Value”) of the Debtors’ and their non-Debtors subsidiaries’ consolidated operations—*i.e.*, Seadrill Limited, NADL, Sevan, AOD, and their respective subsidiaries (collectively, the “Consolidated Operating Company”);
- the estimated value to the Debtors on account of the Debtors’ investment or ownership interest in their non-consolidated affiliate corporate groups (collectively, the “Non-Consolidated Entities”), Seamex Ltd., Seabras Sapura Holding GmbH, and Seadrill Partners LLC (the “NCE Value”); and
- the estimated value of the Debtors’ other assets (collectively, the “Other Assets”), consisting of certain receivables, investments, newbuild interests, and excess cash (the “Other Asset Value”, and collectively with the Consolidated Operating Company Value and NCE Value, “Total Distributable Value”).

---

<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement, to which this Liquidation Analysis is attached as **Exhibit H** or the Plan attached to the Disclosure Statement as **Exhibit A**.



In addition, Houlihan Lokey has estimated the implied equity value (the “Equity Value”) of the Reorganized Debtors on a going concern basis and pro forma for the transactions contemplated by the Plan.

In preparing the estimates set forth below, Houlihan Lokey has relied upon the accuracy, completeness, and fairness of financial and other information furnished by the Debtors. Houlihan Lokey did not attempt to independently audit or verify such information, nor did it perform an independent appraisal of the assets or liabilities of the Reorganized Debtors. Houlihan Lokey did not conduct an independent investigation into any of the legal or accounting matters affecting the Reorganized Debtors, and therefore makes no representation as to their potential impact on the Total Distributable Value.

The valuation information set forth in this section represents a valuation of the Reorganized Debtors based on the application of standard valuation techniques. The estimated values set forth in this section:

- do not purport to constitute an appraisal of the assets of the Reorganized Debtors;
- do not constitute an opinion on the terms and provisions or fairness from a financial point of view to any person of the consideration to be received by such person under the Plan;
- do not constitute a recommendation to any holder of Allowed Claims or Interests as to how such person should vote or otherwise act with respect to the Plan; and
- do not necessarily reflect the actual market value that might be realized through a sale or liquidation of the Reorganized Debtors.

In conducting its analysis, Houlihan Lokey, among other things: (a) reviewed certain publicly available business and financial information relating to the Debtors, and the offshore drilling industry that Houlihan Lokey deemed relevant; (b) reviewed certain internal information relating to the business, earnings, cash flow, capital expenditures, assets, liabilities, and prospects of the Reorganized Debtors, including the Financial Projections, furnished to Houlihan Lokey by the Debtors; (c) conducted discussions with members of senior management and representatives of the Debtors concerning the matters described in clauses (a) and (b) of this paragraph, as well as their views concerning the Debtors’ and Reorganized Debtors’ business and prospects before and after giving effect to the Plan; (d) reviewed publicly available financial and stock market data for certain other companies in lines of business that Houlihan Lokey deemed relevant; (e) reviewed the financial terms of certain transactions that Houlihan Lokey deemed relevant; (f) reviewed drafts of the Plan and related transactional documents; and (g) conducted such other financial studies and analyses and took into account such other information as Houlihan Lokey deemed appropriate.

The estimated values set forth herein assume that the Reorganized Debtors will achieve their Financial Projections in all material respects. Houlihan Lokey has relied on the Debtors' representation that the Financial Projections:

- have been prepared in good faith;
- are based on fully disclosed assumptions, which, in light of the circumstances under which they were made, are reasonable;
- reflect the Debtors' best currently available estimates; and
- reflect the good faith judgments of the Debtors.

Houlihan Lokey does not offer an opinion as to the attainability of the Financial Projections. As disclosed in the Disclosure Statement, the future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors and Houlihan Lokey, and consequently are inherently difficult to project.

This report contemplates facts and conditions known and existing as of December 14, 2017. Events and conditions subsequent to this date, including updated Financial Projections, as well as other factors, could have a substantial effect upon the Total Distributable Value. Among other things, failure to consummate the Plan in a timely manner may have a materially negative effect on the Total Distributable Value. For purposes of this valuation, Houlihan Lokey has assumed that no material changes that would affect value will occur between December 14, 2017 and the Effective Date projected for purposes of this report of June 30, 2018.

In preparing its valuation, Houlihan Lokey performed a variety of financial analyses and considered a variety of factors. The following is a brief summary of the material financial analyses considered by Houlihan Lokey, which consisted of (a) a discounted cash flow analysis, (b) a selected publicly traded comparable companies analysis, and (c) a selected precedent transactions analysis. These analyses primarily formed the basis for the valuations of the Consolidated Operating Company and the Non-Consolidated Entities.

This summary does not purport to be a complete description of the analyses performed and factors considered by Houlihan Lokey. The preparation of a valuation analysis is a complex analytical process involving various judgmental determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular facts and circumstances, and such analyses and judgments are not readily susceptible to summary description. The following valuation analysis must be considered as a whole and selecting just one methodology or portions of the analysis could create misleading or incomplete conclusions as to enterprise value.

**A. Valuation Methodology**

**i. Discounted Cash Flow Analysis**

The discounted cash flow (“DCF”) analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Houlihan Lokey’s DCF analysis used the Consolidated Operating Company’s and the Non-Consolidated Entities’ projections of its debt-free, after-tax cash flows through December 31, 2022. These cash flows were then discounted at a range of estimated weighted average costs of capital, which was determined by reference to, among other things, the cost of debt of selected companies that are similar to the Consolidated Operating Company and the Non-Consolidated Entities in certain respects and the estimated cost of equity of selected publicly traded companies that are similar to the Consolidated Operating Company and the Non-Consolidated Entities in certain respects. Houlihan Lokey’s DCF analysis also included an estimate of the value of the Consolidated Operating Company and the Non-Consolidated Entities for the period beyond December 31, 2022, known as the terminal value. The terminal value was derived by applying a multiple to the Consolidated Operating Company’s and respective Non-Consolidated Entities’ terminal year EBITDA. The discounted cash flow analysis involves complex considerations and judgments concerning appropriate terminal values and discount rates.

**ii. Precedent Transactions Analysis**

The precedent transactions analysis is based on the implied enterprise values of companies and assets involved in publicly disclosed merger and acquisition transactions that have operating and financial characteristics comparable in certain respects to the Consolidated Operating Company and/or the Non-Consolidated Entities. In connection with this analysis, Houlihan Lokey reviewed relevant transactions announced during the current oil and gas industry environment. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. Such enterprise values for operating businesses are typically expressed as multiples of financial and operating statistics, most commonly EBITDA.

**iii. Comparable Company Analysis**

The comparable company analysis estimates the value of a company based on a relative comparison with other publicly traded companies with similar operating and financial characteristics. Under this methodology, the enterprise value for each selected public company is determined by examining the trading prices for the equity securities of such company in the public markets and adding the outstanding net debt for such company. Such enterprise values are typically expressed as multiples of various measures of financial and operating statistics, most commonly EBITDA, including projected levels of EBITDA. The

Consolidated Enterprise Value of the Reorganized Debtors is calculated by applying these relevant selected multiples to the Consolidated Operating Company and Non-Consolidated Entities historical financials and Financial Projections.

**iv. Other Methodologies**

On certain other assets of the Debtors' such as receivables or stakes in newbuilds, an assessment of the collectability of the receivable was made or third party indications of value were considered.

**B. Valuation Conclusions**

**i. Consolidated Operating Company Value**

The Debtors' consolidated operating business consists of the operations of Seadrill Limited, NADL, Sevan, AOD, and their respective subsidiaries. These operations were valued on a consolidated basis except with respect to AOD where the value of the minority interest held by a non-affiliated third party was deducted. The estimated value available to the Reorganized Debtors from the Consolidated Operating Company Value is \$7.316 billion to \$8.468 billion.

**ii. Non-Consolidated Entities Value**

The Debtors hold (and on upon emergence from chapter 11, the Reorganized Debtors will hold) minority interests in the NCEs and in certain instances are an obligor with respect to certain debt owed by the NCEs. The NCEs were primarily valued using the methodologies described above, adjusted for the Debtors' ownership of each respective NCE, including reflecting marketability and minority discounts where applicable and including any debt owed to the Debtors from the applicable NCE. The estimated value available to the Reorganized Debtors from the NCEs is \$1.906 billion to \$2.286 billion.

**iii. Other Assets Value**

The Debtors also hold certain non-operating assets that contribute to the Reorganized Debtors' Total Distributable Value. These include (a) interests in Archer, including a 15% equity interest and a \$45 million principal amount convertible note, (b) certain receivables payable to the Debtors on account of historical sale transactions, (c) certain newbuild assets, and (d) excess cash. The estimated value of these other assets was estimated at \$1.067 billion consisting of \$212 million in non-cash other asset value and \$855 million of excess cash.

## 2) Total Distributable Value and Implied Equity Value

As a result of the analysis described herein, Houlihan Lokey estimated the Total Distributable Value and Equity Value of the Reorganized Debtors as of the assumed Effective Date of June 30, 2018 to be:

\$ in millions	Low	High
<b>Consolidated Operating Company Value</b>	7,316	8,468
Plus: NCE Value	1,906	2,286
Cash Plus: Other Asset Value, excluding Excess	212	212
Plus: Other Asset Value, Excess Cash	855	855
<b>Total Distributable Value</b>	<b>\$10,290</b>	<b>\$11,821</b>
Less: Reorganized Company Total Debt <sup>2</sup>	6,995	7,101
<b>Total Reorganized Company Equity Value</b>	<b>\$3,295</b>	<b>\$4,721</b>

The estimate of Total Distributable Value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein depending on the results of the Debtors' operations or changes in the financial markets. Additionally, these estimates of value represent hypothetical enterprise and equity values of the Reorganized Debtors as the continuing operator of their businesses and assets, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. Such estimates were developed solely for purposes of formulation and negotiation of the Plan and analysis of implied relative recoveries to creditors thereunder. The value of an operating business such as the Debtors' businesses is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such businesses.

<sup>2</sup> Reflects the sum of the Amended Credit Facilities at their estimated market value, the SFL Capital Lease Obligations and the New Secured Note principal amount.

Houlihan Lokey's estimated valuation range of the Reorganized Debtors does not constitute a recommendation to any Holder of Allowed Claims or Interests as to how such person should vote or otherwise act with respect to the Plan. The estimated value of the Reorganized Debtors set forth herein does not constitute an opinion as to the fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. Because valuation estimates are inherently subject to uncertainties, none of the Debtors, Houlihan Lokey or any other person assumes responsibility for their accuracy or any differences between the estimated valuation ranges herein and any actual outcome.



**Seadrill Limited**

Par-la-Ville Place, 4th floor  
14 Par-la-Ville Road  
Hamilton HM 08  
Bermuda

**Legal advisor to the Company**

(as to Norwegian law)  
Advokatfirmaet Thommessen AS  
Haakon VII's gate 10  
0116 Oslo  
Norway