

EXEMPTED DOCUMENT



**Listing of up to 30,645,160 new Seadrill Common Shares issued in connection with the merger between Seadrill Limited and Aquadrill LLC**

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The information contained in this exempted document (the "**Exempted Document**") relates to the contemplated merger (the "**Merger**") between Aquadrill LLC, a Marshall Islands limited liability company with registration number 962166 ("**Aquadrill**"), and together with its consolidated subsidiaries, the "**Aquadrill Group**") and Seadrill Limited, an exempted company limited by shares incorporated under the laws of Bermuda with registration number 202100496 ("**Seadrill**"), and together with its consolidated subsidiaries, the "**Seadrill Group**", governed by the Agreement and Plan of Merger entered into between Seadrill, Seadrill Merger Sub, LLC, a Marshall Islands limited liability company, being a wholly owned subsidiary of Seadrill ("**Merger Sub**"), and Aquadrill, dated 22 December 2022 (the "**Merger Agreement**"), and the listing of up to 30,645,160 new Seadrill Common Shares (as defined below), each with a par value of USD 0.01 expected to be issued as consideration in the Merger.

At the effective time of the Merger (the "**Effective Time**"), pursuant to the Merger Agreement, Seadrill will issue up to 30,645,160 new Seadrill Common Shares as merger consideration (the "**Merger Consideration**") as further described in Section 4 ("The Merger") herein. Completion of the Merger is expected to occur on or about 3 April 2023, and Seadrill has pursuant to the Merger Agreement agreed to use its reasonable best efforts to cause the Seadrill Common Shares to be issued (i) in the Merger and (ii) as Merger Consideration to be admitted for listing on Oslo Børs and the New York Stock Exchange ("**NYSE**"), as of or as soon as practicable following the Closing Date (as defined below). As of the first day of listing after completion of the Merger, the Seadrill Common Shares issued in the Merger will trade under the trading symbol "SDRL".

This Exempted Document serves as a prospectus equivalent document for the purpose of listing the Seadrill Common Shares issued in the Merger, cf. Section 7-1 of the Norwegian Securities Act cf. Article 1 (5) point (f) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2014/71/EC, as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the "**EU Prospectus Regulation**").

This Exempted Document is not a prospectus within the meaning of the EU Prospectus Regulation, and therefore it has not been subject to scrutiny and approval by the relevant competent authority as set out in Article 20 of the EU Prospectus Regulation.

Except where the context otherwise requires, references in this Exempted Document to the "Seadrill Common Shares" refer to all issued and outstanding common shares of Seadrill and will be deemed to include the Seadrill Common Shares issued in the Merger. For the definitions of capitalized terms used throughout this Exempted Document, see Section 11 "Definitions".

**Investing in the Seadrill Common Shares involves risks; see Section 1 ("Risk Factors") beginning on page 4.**

**This Exempted Document does not constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Exempted Document.**

**The date of this Exempted Document is 31 March 2023**

## IMPORTANT INFORMATION

This Exempted Document has been prepared by Seadrill in connection with the listing of the Seadrill Common Shares issued in the Merger and serves as a prospectus equivalent document cf. Article 1 5. (f) of the EU Prospectus Regulation. This Exempted Document has been prepared solely in the English language. In this Exempted Document, the term "Combined Company" shall refer to the combined company resulting from consummation of the Merger.

This Exempted Document does not constitute a prospectus within the meaning of the EU Prospectus Regulation and has not been subject to the scrutiny and approval by the Norwegian Financial Supervisory Authority (Nw. Finanstilsynet) in accordance with Article 20 of the EU Prospectus Regulation. The content of this Exempted Document has been prepared on the basis of the European Commission's delegated regulation (EU) 2021/528 of 16 December 2020 supplementing the EU Prospectus Regulation as regards the minimum information content of the document to be published for a prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division.

**This Exempted Document does not constitute an offer of, or an invitation to purchase, any of the shares and common units described herein, hereunder the Seadrill Common Shares and the Aquadrill Common Units (as defined below), and no Seadrill Common Shares are being offered or sold pursuant to this Exempted Document in any jurisdiction.** All inquiries relating to this Exempted Document must be directed to Seadrill. No other person is authorized to give any information about, or to make any representations on behalf of, Seadrill in connection with the Merger. If any such information is given or representation made, it must not be relied upon as having been authorized by Seadrill. The information contained herein is as of the date hereof and is subject to change, completion and amendment without further notice. The publication of this Exempted Document shall not under any circumstances create any implication that there has been no change in the Seadrill Group's or the Aquadrill Group's affairs or that the information set forth herein is correct as of any date subsequent to the date hereof. No person is authorized to give information or to make any representation in connection with the Merger other than as contained in this Exempted Document.

The contents of this Exempted Document are not to be construed as legal, business or tax advice. Each reader of this Exempted Document should consult with his or her own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Exempted Document, you should consult your stockbroker, bank manager, lawyer, accountant or other professional advisor.

Readers are expressly advised that the Seadrill Common Shares are exposed to financial and legal risk and they should therefore read this Exempted Document in its entirety, in particular Section 1 "Risk factors". In connection with the Merger, Seadrill has filed and will file relevant materials with the U.S. Securities and Exchange Commission (the "**SEC**"), including a registration statement on Form F-4, as amended (the "**Registration Statement**"). Prospective investors and shareholders of Seadrill should carefully read the entire Registration Statement, and any other relevant documents filed with the SEC, as well as any amendments or supplements to these documents, because they may contain important information about the Merger, Seadrill, Aquadrill and the Combined Company.

The distribution of this Exempted Document may in certain jurisdictions be restricted by law. Persons in possession of this Exempted Document are required to inform themselves about and to observe any such restrictions. No action has been taken or will be taken in any jurisdiction by Seadrill that would permit the possession or distribution of this Exempted Document, in any country or jurisdiction where specific action for that purpose is required.

This Exempted Document is not for publication or distribution, directly or indirectly, in the United States. Seadrill has filed the Registration Statement with the SEC with respect to the issuance of Seadrill Common Shares, other than the issuance of Seadrill Common Shares to the Consenting Members (as defined below), under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"). The Seadrill Common Shares may not be offered or sold, directly or indirectly, in the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Any sale, offer or delivery in the United States of the Seadrill Common Shares mentioned in this Exempted Document will be made (i) pursuant to the Registration Statement or to (ii) non-U.S. persons as defined in Regulation S of the U.S. Securities Act, or (ii) "accredited investors" as defined in Regulation D of the U.S. Securities Act.

This Exempted Document is governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Exempted Document.

All Sections of the Exempted Document should be read in context with the information included in Section 3 "General information".

## TABLE OF CONTENTS

1	RISK FACTORS .....	4
1.1	Risks relating to the Merger.....	4
1.2	Risks relating to Seadrill .....	7
1.3	Risks Inherent in an Investment in Seadrill .....	36
1.4	Risks relating to Seadrill Common Shares.....	37
1.5	Risks relating to Aquadrill .....	41
2	RESPONSIBILITY STATEMENT .....	63
3	GENERAL INFORMATION.....	64
3.1	Cautionary note regarding Forward-looking Statements.....	64
3.2	Financial information .....	64
3.3	Industry and market data .....	66
3.4	Filings with the United States Securities and Exchange Commission .....	67
4	THE MERGER .....	68
4.1	Introduction and description of the Merger.....	68
4.2	Reasons and anticipated benefits.....	68
4.3	Conditions for completion of the Merger .....	71
4.4	Timetable for the Merger .....	72
4.5	Consideration of the Merger .....	73
4.6	Impact of the Merger on the Combined Company .....	74
4.7	Interests of certain persons in the Merger.....	75
4.8	Expenses of the Merger.....	75
4.9	Admission to trading.....	76
4.10	Regulatory approvals required in the Merger.....	77
4.11	Dilution.....	77
4.12	No Appraisal Rights.....	78
5	BUSINESS OVERVIEW – SEADRILL.....	79
5.1	Corporate information .....	79
5.2	Overview of the Seadrill Group's Operations.....	79
5.3	Significant changes and trends .....	82
5.4	Board of directors, executive management and employees.....	85
5.5	Share capital, shareholders, rights to shares and regulatory disclosures .....	86
5.6	Material investments and divestments.....	91
5.7	Legal and arbitration proceedings.....	91
5.8	Working capital statement .....	92
5.9	Public takeover bids.....	92
6	BUSINESS OVERVIEW – AQUADRILL.....	93
6.1	Corporate information .....	93
6.2	Overview of the Aquadrill Group's operations .....	93
6.3	Significant changes and trends .....	95
6.4	Board of directors, executive management and employees.....	96
6.5	Share capital, unitholders, equity awards and regulatory disclosures .....	97
6.6	Material investments .....	97
6.7	Legal and arbitration proceedings.....	97
7	UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION .....	99
7.1	Basis of pro forma presentation .....	99

7.2	Unaudited pro forma condensed consolidated statement of operations for the nine months period ended 30 September 2022 .....	100
7.3	Unaudited pro forma condensed consolidated statement of operations for the year ended 31 December 2021 .....	101
7.4	Unaudited pro forma condensed consolidated balance sheet as at 30 September 2022 .....	102
7.5	Notes to the Pro Forma Financial Information .....	103
8	INCORPORATION BY REFERENCE AND DOCUMENTS ON DISPLAY .....	121
8.1	Incorporation by reference .....	121
8.2	Documents on display .....	121
9	ADDITIONAL INFORMATION .....	123
9.1	Independent auditor .....	123
9.2	Advisors retained in connection with the Merger .....	123
10	DEFINITIONS AND GLOSSARY .....	124

### **APPENDICES**

APPENDIX A	Independent practitioner's assurance report on the compilation of pro forma financial information .....
APPENDIX B	Final Unit Exchange Ratio – Example calculations .....

## **1 RISK FACTORS**

*An investment in the Combined Company and the Seadrill Common Shares involves inherent risk. The following describes the risks relating to the Merger and the Seadrill Common Shares, as well as the risks relating to the Aquadrill Group, the Seadrill Group and the Combined Company and their respective businesses. Shareholders and prospective investors should carefully consider the risk factors and all information contained in this Exempted Document, including the financial statements (incorporated by reference) and related notes. The risks and uncertainties described in this Section 1 ("Risk factors") are the material known risks and uncertainties relating to the Merger, the Seadrill Common Shares, Aquadrill and the Seadrill Group and their respective businesses as of the date hereof that are believed to be material risks relevant to an investment in the Combined Company and the Seadrill Common Shares.*

*The risk factors included in this Section 1 "Risk factors" are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category, the risk factors deemed most material, taking into account their potential negative affect and the probability of their occurrence, are set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on a probability of their occurrence.*

*The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties in that risk factor are not genuine and potential threats, and they should therefore be considered prior to making an investment decision. If any of the following risks were to materialize, either individually, cumulatively or together with other circumstances, it could have a material adverse effect on the Combined Company 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 Seadrill Common Shares, resulting in loss of all or part of an investment in the Seadrill Common Shares. The risks and uncertainties described below are not the only risks the Aquadrill Group, the Seadrill Group and the Combined Company may face, or that may be relevant for the Merger and the Seadrill Common Shares. Additional risks and uncertainties that currently are believed to be immaterial, or that are currently not known, may also have a material adverse effect on the Aquadrill Group's, the Seadrill Group's and the Combined Company's results of operations, cash flows, financial condition and/or prospects.*

*The information in this Section 1 "Risk factors" is as of the date of this Exempted Document.*

### **1.1 Risks relating to the Merger**

*1.1.1 Because the aggregate amount of Merger Consideration payable is fixed and because the market price of Seadrill Common Shares may fluctuate prior to the completion of the Merger, there can be no assurance of the market value of the Seadrill Common Shares issuable as Merger Consideration, including relative to the value of Outstanding Common Units to be exchanged therefor.*

The market value of the consideration payable in connection with the Merger will depend on the trading price of Seadrill Common Shares at the closing of the Merger (the "**Closing**"). The aggregate amount of the Merger Consideration is fixed at 30,645,160 Seadrill Common Shares, including shares payable under the Aquadrill Sale Bonus (as defined below) and pursuant to Aquadrill Equity Awards (as defined below), in each case as described herein. Except for de minimis adjustments related to the Aquadrill Sale Bonus, there is no mechanism contained in the Merger Agreement that would adjust the number of Seadrill Common Shares that holders of Outstanding Common Units (as defined below) will receive based on any decreases or increases in the trading price of Seadrill Common Shares. Share or unit price changes may result from a variety of factors (many of which are beyond Seadrill's and Aquadrill's control), including:

- changes in Seadrill's or Aquadrill's business, operations and prospects;
- changes in market assessments of Seadrill's or Aquadrill's business, operations and prospects;
- changes in market assessments of the likelihood that the Merger will be completed;
- interest rates, commodity prices, general market, industry and economic conditions and other factors generally affecting the price of Seadrill Common Shares or Aquadrill Common Units; and

- legislation, governmental regulation and legal developments in the businesses in which Seadrill and Aquadrill operate.

If the price of Seadrill Common Shares at the Closing is less than the price of Seadrill Common Shares on the date that the Merger Agreement was signed, then the market value of the Merger Consideration will be less than contemplated at the time the Merger Agreement was signed.

*1.1.2 The Merger is subject to conditions, including some conditions that may not be satisfied on a timely basis, if at all. Failure to complete the Merger, or significant delays in completing the Merger, could negatively affect each party's future business and financial results and the value or trading prices, as applicable, of Seadrill Common Shares and Aquadrill Common Units.*

The completion of the Merger is subject to a number of conditions (See Section 4.3 ("Conditions for completion of the Merger")). The completion of the Merger is not assured and is subject to risks. The Merger Agreement contains conditions, some of which are beyond the parties' control, that, if not satisfied or waived, may prevent, delay or otherwise result in the Merger not occurring.

If the Merger is not completed, or if there are significant delays in completing the Merger, Seadrill's and Aquadrill's future business and financial results and the value or trading prices, as applicable, of Seadrill Common Shares and Aquadrill Common Units could be negatively affected, and each of the parties will be subject to several risks, including the following:

- there may be negative reactions from the financial markets due to the fact that current value or trading prices, as applicable, of the Seadrill Common Shares and Aquadrill Common Units may reflect a market assumption that the Merger will be completed; and
- the attention of management may have been diverted to the Merger rather than their own operations and pursuit of other opportunities that could have been beneficial to their respective businesses.

*1.1.3 The date the Merger Consideration will be issued depends on the Closing Date of the Merger, which is uncertain.*

Completing the Merger is subject to several conditions, not all of which are controllable by Seadrill or Aquadrill. Accordingly, the date on which Merger Consideration will be issued depends on the date on which the Closing actually occurs (the "**Closing Date**"), which is uncertain and subject to several closing conditions. See Section 4.3 ("Conditions for completion of the Merger").

*1.1.4 Seadrill and Aquadrill may incur substantial transaction-related expenses in connection with the Merger. If the Merger does not occur, Seadrill and Aquadrill will not benefit from these expenses, and if the Merger is delayed, these expenses may increase.*

Seadrill and Aquadrill expect to incur approximately USD 23 million of expenses in connection with completing the Merger, including fees paid to legal, financial and accounting advisors, filing fees and printing costs. If the Merger is delayed, expenses may increase, and if the Merger does not occur, Seadrill and Aquadrill will not benefit from these expenses.

*1.1.5 Seadrill and Aquadrill in the future may be targets of securities class action and derivative lawsuits, which could result in substantial costs and may delay or prevent the completion of the Merger.*

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into merger agreements in an effort to enjoin the relevant merger or seek monetary relief. Even if any future lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. An unfavorable resolution of any such litigation surrounding the Merger could delay or prevent its consummation. In addition, the costs of defending the litigation, even if resolved in Seadrill's or Aquadrill's favor, could be substantial and such litigation could distract Seadrill or Aquadrill from pursuing the consummation of the Merger and other potentially beneficial business opportunities.

*1.1.6 Aquadrill's directors, executive officers and senior consultants have interests in the Merger that are different from, or in addition to, the interests of holders of Aquadrill Common Units, which could have influenced their decision to support or approve the Merger.*

Aquadrill's directors, executive officers and senior consultants have interests in the Merger that are different from, or in addition to, the interests of holders of Aquadrill Common Units. Certain outstanding equity awards in Aquadrill held by Aquadrill non-

employee directors, executive officers and senior consultants will vest automatically upon completion of the Merger and Aquadrill non-employee directors will have the option to receive a portion of the Merger Consideration to which they are entitled in cash in lieu of Seadrill Common Shares, as further described herein. Moreover, Aquadrill's Chief Executive Officer is entitled to a portion of the Merger Consideration payable under the Aquadrill Sale Bonus. Each of these provisions creates an interest in the Merger that may be different from, or in addition to, interests of a holder of Aquadrill Common Units.

*1.1.7 If the Merger is not treated as a "reorganization" for U.S. federal income tax purposes, U.S. Holders and Non-U.S. Holders of Outstanding Common Units may be required to recognize a greater amount of gain for U.S. federal income tax purposes at the time they receive Seadrill Common Shares in exchange for Outstanding Common Units pursuant to the Merger.*

Although it is the opinion of Baker Botts L.L.P. ("**Baker Botts**") that the Merger will constitute for U.S. federal income tax purposes a "reorganization" within the meaning of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") subject to the assumption that the representations set forth in the letters from Aquadrill and Seadrill provided to Baker Botts are and will be true, correct and complete as of the effective date of the Merger, and Aquadrill and Seadrill intend to treat the Merger as such, neither Seadrill nor Aquadrill has applied for, or expects to obtain, a ruling from the Internal Revenue Service ("**IRS**") with respect to the U.S. federal income tax consequences of the Merger. No assurance can be given that the IRS will agree with the conclusions reached in such opinion or that it will not challenge the U.S. federal income tax consequences of the Merger. If the Merger does not qualify as a reorganization for U.S. federal income tax purposes, it will generally be treated as a fully taxable transaction for such purposes and U.S. Holders will recognize gain or loss on their exchange of their Outstanding Common Units for Seadrill Common Shares. Non-U.S. Holders also may, in certain circumstances, be subject to U.S. federal income and/or withholding tax if the Merger does not qualify as a reorganization.

The reader should note the section entitled "Certain Material Tax Considerations—Material U.S. Federal Income Tax Consequences" in the Registration Statement and consult its own tax advisors regarding the U.S. federal income tax consequences of the Merger.

*1.1.8 The Pro Forma Financial Information included in this Exempted Document may not be representative of the Combined Company's results after consummation of the Merger.*

The Pro Forma Financial Information (as defined below) are presented for illustrative purposes only, are based on certain assumptions, address a hypothetical situation and reflect limited historical financial data. These assumptions may not prove to be accurate, and other factors may affect the Combined Company's results of operations or financial condition following the Merger. Therefore, the Pro Forma Financial Information are not necessarily indicative of what Seadrill's actual financial position or results of operations would have been had the Merger been completed on the dates indicated, or the future consolidated results of operations or financial position of Seadrill. Accordingly, Seadrill's business, assets, cash flows, results of operations and financial condition may differ significantly from those indicated by the Pro Forma Financial Information included in this Exempted Document. See Section 7 ("Unaudited pro forma consolidated financial information") for more information.

*1.1.9 Third parties or MSA Managers may terminate or alter existing contracts with Aquadrill or other third parties as a result of closing the transactions contemplated by the Merger Agreement.*

Aquadrill depends on other offshore drilling contractors, including affiliates of Diamond Offshore Drilling, Inc., Vantage Drilling International and Energy Drilling Management Pte Ltd. (collectively, the "**MSA Managers**") to maintain, market and operate Aquadrill's vessels pursuant to master service or similar agreements (the "**MSAs**"). Certain of Aquadrill's contracts with the MSA Managers and the MSA Managers' contracts with other third parties have "change of control" or similar clauses that allow the counterparty to terminate or change the terms of their contract upon the closing of the transactions contemplated by the Merger Agreement. Aquadrill (with respect to the MSA Managers) or the MSA Managers (with respect to other third parties) may seek to obtain consent, but if these consents are not obtained, or are obtained on unfavorable terms, the Combined Company may lose any desired benefit of such contracts, including benefits that may be material to the business of the Combined Company. See risk factor no. 1.5.2 ("Historical downturns in activity in the oil and gas drilling industry have had an adverse impact on Aquadrill's business and operating results, and any future downturns or volatile market conditions are likely to adversely impact its business and operating results).

## 1.2 Risks relating to Seadrill

1.2.1 *The success and growth of the Seadrill 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 and volatility.*

The Seadrill 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 Seadrill 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 or willingness of the Organization of the Petroleum Exporting Countries ("**OPEC**"), and other non-member nations, including Russia, to set and maintain levels of production and pricing;
- the decision of OPEC or other non-member nations to abandon production quotas and/or member-country quota compliance within OPEC agreements;
- the level of production in non-OPEC countries;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- export licensing requirements impacting the ability to export equipment to or from certain countries;
- 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;
- merger, acquisition and divestiture activity among oil and gas producers;
- the development and exploitation of alternative fuels and unconventional hydrocarbon production, including shale;
- worldwide economic and financial problems, including, for example, inflationary pressures and supply chain disruptions, the resulting fears of recession and the corresponding decline in the demand for oil and gas and, consequently, our services;
- the occurrence or threat of epidemic or pandemic diseases, such as COVID-19, or any governmental response to such occurrence or threat;
- 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 acts of terrorism in the United States, Europe or elsewhere, including, for example, the ongoing conflict between Russia and Ukraine.



Decreases in oil and gas prices for an extended period of time, or market expectations of potential decreases in these prices, have in the past been shown to negatively affect the Seadrill Group and could negatively affect the Seadrill Group's future performance.

As an example of the volatility in oil prices, Brent fell to USD 9 a barrel in April 2020 before a recovery in oil and gas prices toward the end of 2020-early 2021 and through part of 2022, during which time Brent rose above USD 120 a barrel, and fell to USD 82 a barrel as of 30 December 2022. However, there is no guarantee that the oil and gas price recovery will be sustained. Prices can continue to fluctuate and there may be longer periods of lower prices.

The supply of rigs in the market has, as a result of longer periods of significant fluctuations in oil and gas prices, continued to outweigh the demand. This trend may continue, and therefore have a damping effect on utilization levels and dayrates. Continued periods of low demand can cause excess rig supply and intensify competition the industry the Seadrill Group operates, which often results in drilling rigs, particularly older and less technologically-advanced drilling rigs, being idle for long periods of time. The Seadrill Group cannot predict the future level of demand for drilling rigs or future condition of the oil and gas industry with any degree of certainty. Any future decrease in exploration, development or production expenditures by oil and gas companies could further reduce the Seadrill Group's revenues and materially harm its business.

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

- the availability and quality of competing offshore drilling units;
- rising interest rates and the availability of debt financing on reasonable terms;
- the level of costs for associated offshore oilfield and construction services;
- the availability of personnel for offshore drilling units;
- 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;
- regulatory restrictions on offshore drilling;
- inflationary pressures and resulting fears of recession; and
- supply chain disruptions.

The offshore drilling industry is highly competitive and fragmented and includes several large companies that compete in many of the markets the Seadrill Group serves, as well as numerous small companies that compete with the Seadrill Group on a local basis. In the past several years, the pace of consolidation in the industry in which the Seadrill Group operates has increased, and may continue to increase, leading to the creation of a number of larger competitors that may have greater financial or operational resources than the Seadrill Group. As a result, these competitors may be able to devote more resources to their efforts to secure new drilling contracts. Moreover, certain of the Seadrill Group's competitors have recently emerged from bankruptcy proceedings or have undertaken debt refinancing transactions, management changes or other strategic initiatives in an attempt to reduce operating costs to maintain their competitive position in the market, which could result in stronger or healthier balance sheets and, in turn, an improved ability to compete with the Seadrill Group.

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 Seadrill 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 Seadrill Group's drilling rigs, or expand into service areas where the Seadrill 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 Seadrill Group's operating results and financial condition.

*1.2.2 Historical downturns in activity in the oil and gas drilling industry have had an adverse impact on the Seadrill Group's business and operating results, and any future downturns or volatile market conditions are likely to adversely impact the Seadrill Group's business and operating results.*

The oil and gas drilling industry is cyclical. Although the industry has recovered some from its pandemic low in 2020, the extent and duration of this recovery is uncertain.

If the Seadrill Group is unable to secure contracts for its drilling units upon the expiration of the existing contracts, the Seadrill Group may 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 of 30 September 2022, the Seadrill Group had no "warm stacked" units, which means the rig is kept operational and ready for redeployment, and maintains most of its crew, and two "cold stacked" units, 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 Seadrill Group may be unable to meet its obligations as they come due or it may be unable to enhance its existing business, complete additional drilling unit acquisitions or otherwise take advantage of business opportunities as they arise.

During volatile market conditions or expected downturns, the Seadrill Group's customers may also seek to cancel or renegotiate contracts for various reasons, including adverse conditions, resulting in lower revenue. The Seadrill Group's inability, or the inability of its customers to perform, under contractual obligations may have a material adverse effect on the Seadrill Group's financial position, operating results and cash flows.

Although the market for offshore drilling units appears to be in recovery, the nature or extent of this recovery is unknown. There can be no assurance that demand for drilling rigs will not decline in future periods. Any decline in demand for drilling rigs would adversely affect the Seadrill Group's financial position, operating results and cash flows.

*1.2.3 Economic downturns have had, and in the future could have, a material adverse effect on our revenue, profitability and financial position.*

The Seadrill Group depends on its 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 has recently and is currently facing a number of challenges. These include, for example, inflation, volatile energy prices, geopolitical instability and conflicts, such as the ongoing conflict between Russia and Ukraine, rising interest rates, irregular functioning of global manufacturing and supply chains (particularly in the segments of engineering and manufacturing of components for the oil and gas industry), irregular volatility in exchange rates, the impact of climate change and extreme weather events, the impact of international trade disputes, labor shortages and the COVID-19 pandemic. Adverse developments in the global economic outlook, or market perceptions concerning these issues, could reduce the overall demand for oil and natural gas and for the Seadrill Group's services, affect the costs to the Seadrill Group of providing those services, and thereby affect the Seadrill Group's financial position, operating results and cash available for distribution.

Negative developments in worldwide financial and economic conditions, including, for example, inflationary pressures, volatile energy prices, rising interest rates, supply chain disruptions, and resulting fears of recession could further cause the Seadrill Group's ability to access the capital markets to be severely restricted at a time when the Seadrill Group 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 the Seadrill Group's customers, causing them to fail to meet their obligations to the Seadrill Group.

A portion of the credit under the Seadrill Group's secured credit facilities is provided by European banking institutions. If economic conditions in Europe or other factors preclude or limit financing from these banking institutions, the Seadrill Group may not be able to obtain financing from other institutions on terms that are acceptable to it, 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 Seadrill Group's services. Such changes could adversely affect the Seadrill Group's operating results and cash flows beyond what might be offset by the simultaneous impact of possibly higher oil and gas prices.

The Seadrill Group's business is capital intensive and, to the extent the Seadrill 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 Seadrill Group's ability to access the capital markets may be limited by the terms of its secured credit facilities, its 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 Seadrill Group's control, including, for example, inflationary pressures, volatile energy prices, rising interest rates, supply chain disruptions, and resulting fears of recession. An extended period of deterioration in outlook for the world economy could reduce the overall demand for the Seadrill Group's services and could also adversely affect its ability to obtain financing on terms acceptable to it or at all.

Any reductions in drilling activity by the Seadrill Group's customers may not be uniform across different geographic regions. Locations where costs of drilling and production are relatively higher, such as harsh environment 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 Seadrill Group's lenders and other debt holders are not confident that the Seadrill Group is able to employ its assets, the Seadrill Group may be unable to secure replacement or additional financing, or amendments to its existing secured credit facilities, on terms acceptable to it or at all.

*1.2.4 The Seadrill Group may not have sufficient liquidity to meet its obligations as they become due or have the ability to raise new capital or refinance existing indebtedness on acceptable terms or at all, which could adversely affect its business and financial condition.*

The Seadrill Group's indebtedness could have significant adverse consequences for an investment in Seadrill and on the Seadrill Group's business, financial condition and future prospects, including the following:

- the Seadrill Group may not be able to satisfy its financial obligations under its indebtedness and its contractual and commercial commitments;
- the Seadrill Group may not be able to obtain financing on acceptable terms or at all in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- competitors could have a competitive advantage because they have lower debt service requirements and, as a result, the Seadrill Group may not be better positioned to withstand economic downturns;
- the Seadrill Group may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than its competitors and the Seadrill Group management's discretion in operating the Seadrill Group's business may be limited; and
- other factors described below.

If for any reason the Seadrill Group is unable to meet its debt service and repayment obligations under its secured credit facilities or other debt agreements, it would be in default under the terms of the applicable governing agreements, which may allow its lenders at that time to declare all such indebtedness then outstanding to be immediately due and payable. This may in turn trigger cross-acceleration or cross-default rights under certain of the Seadrill Group's other agreements. Under these circumstances, if the amounts outstanding under the Seadrill Group's existing and future credit facilities or other debt agreements were to be accelerated, or were the subject of foreclosure actions, the Seadrill Group cannot assure that its assets would be sufficient to repay in full the money owed to its lenders or to its other creditors. Furthermore, if the Seadrill Group's assets are foreclosed upon, the Seadrill Group will not have any income-producing assets left, and, as such, it may not be able to generate any cash flow in the future.

1.2.5 *The covenants under the Seadrill Group's secured credit facilities impose operating and financial restrictions on the Seadrill Group that could significantly impact the Seadrill Group's ability to operate its business and a breach of which could result in a default under the terms of these agreements, which could accelerate repayment of funds that the Seadrill Group has borrowed.*

The terms of the Seadrill Group's secured credit facilities impose, and future financial obligations may impose, operating and financial restrictions on the Seadrill Group. These restrictions may prohibit or otherwise limit the Seadrill Group's ability to fund its operations or capital needs or to undertake certain other business activities or transactions without consent of the requisite debt holders, which in turn may adversely affect the Seadrill Group's financial condition. These restrictions include but are not limited to:

- executing other financing arrangements or incurring other indebtedness;
- incurring or guaranteeing additional indebtedness or providing other financial support;
- creating or permitting liens on the Seadrill Group's assets;
- selling the Seadrill Group's drilling units or the shares of Seadrill's subsidiaries;
- making investments or acquisitions;
- changing the general nature of the Seadrill Group's business;
- a prohibition on paying dividends to Seadrill's shareholders and restrictions on making other types of restricted payments;
- changing the management and/or ownership of the drilling units;
- restrictions on the operation and circumstances of the Seadrill Group's drilling units; and
- making certain capital expenditures.

These restrictions may affect the Seadrill Group's ability to compete effectively with its competitors to the extent that they are subject to less onerous restrictions. The interests of the Seadrill Group's lenders and other debt holders may be different from the Seadrill Group's and the Seadrill Group may not be able to obtain their consent when beneficial for its business, which may impact its performance or its ability to obtain replacement or additional financing and/or make certain investments or acquisitions in the future. In addition, the profile of the Seadrill Group's lenders has changed since emergence from the Chapter 11 Proceedings (as defined below), with the replacement of certain relationship banks by lenders whose focus may be different in nature. The new profile of the Seadrill Group's lenders may make it more difficult for the Seadrill Group to obtain lender consents when beneficial to its business or otherwise obtain waivers or other consents or approvals which may be required from time to time.

While the Seadrill Group's lenders under the Seadrill Group's secured credit facilities benefit from and share in the same security, the facilities have different rankings, and lenders' interests between facilities and/or in the same facility may not be aligned, and

they may therefore have different views on some or all matters. This may make it more difficult for the Seadrill Group to obtain lender consents when beneficial for its business or otherwise obtain waivers or other consents or approvals which may be necessary from time to time.

Following emergence from Chapter 11 Proceedings, with the exception of minimum liquidity requirements, the Seadrill Group is exempted from financial covenants until 30 September 2023. Thereafter, in addition to minimum liquidity requirements, the Seadrill Group is required to maintain and satisfy certain financial ratios and covenants relating to gross and net leverage. Breach of financial covenants may result in a default under the terms of these agreements, which could accelerate repayment of funds that the Seadrill Group has borrowed. Moreover, the Seadrill Group's convertible notes and secured credit facilities include cross-default provisions, whereby, in certain circumstances, a default under one might result in defaults under one or more of the others.

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

The failure of certain of Seadrill'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 Seadrill.

If a default occurs under the debt agreements of Seadrill's affiliated or related companies, the lenders and other debt holders 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 and other secured debt holders may, among other things, foreclose their liens on the drilling units and other assets securing the loans and other secured debt, if applicable, or seek repayment of such debt from such entities.

*1.2.7 The Seadrill Group emerged from bankruptcy on 22 February 2022, which may adversely affect the Seadrill Group's business and relationships. The Seadrill Group cannot be certain that the bankruptcy proceeding will not adversely affect its operations going forward.*

The Seadrill Group operated in bankruptcy from 7 February 2021 (with respect to certain of Seadrill's subsidiaries) or 10 February 2021 to 22 February 2022. It is possible that having filed for bankruptcy and the recent emergence from bankruptcy may adversely affect the Seadrill Group's business and relationships with customers, vendors, contractors or employees. Due to uncertainties, many risks exist, including the following:

- key customers may terminate their relationships with the Seadrill Group or require additional financial assurances or enhanced performance from the Seadrill Group;
- the Seadrill Group's ability to renew existing contracts and compete for new business may be adversely affected;
- the Seadrill Group's ability to attract, motivate and/or retain key executives may be adversely affected; and
- competitors may take business away from the Seadrill Group, and the Seadrill Group's ability to attract and retain customers may be negatively impacted.

The occurrence of one or more of these events could have a material and adverse effect on the Seadrill Group's operations, financial condition and reputation. The Seadrill Group cannot assure that having been subject to bankruptcy protection will not adversely affect its operations in the future.

*1.2.8 The Seadrill Group's actual financial results may differ substantially from the projected financial information prepared for the bankruptcy proceedings.*

In connection with the disclosure statement that the Seadrill Group filed with the United States Bankruptcy Court for the Southern District of Texas ("**Bankruptcy Court**"), and the hearing to consider confirmation of the Fourth Amended Joint Chapter 11 Plan of Reorganization of Seadrill Partners LLC and its Debtor Affiliates Pursuant to Chapter 11 of the United States Bankruptcy Code (the

"Plan"), the Seadrill Group prepared projected financial information to demonstrate to the Bankruptcy Court the feasibility of the Plan and its ability to continue operations upon our emergence from bankruptcy. Those projections were prepared solely for the purpose of bankruptcy proceedings and have not been, and will not be, updated on an ongoing basis and should not be relied upon by investors. At the time they were prepared, the projections reflected numerous assumptions concerning the Seadrill Group's anticipated future performance with respect to prevailing and anticipated market and economic conditions that were and remain beyond the Seadrill Group's control and that may not materialize. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks and the assumptions underlying the projections and/or valuation estimates may prove to be wrong in material respects. Actual results may vary significantly from those contemplated by the projections. As a result, investors should not rely on these projections.

*1.2.9 Because Seadrill's consolidated financial statements reflect fresh start accounting adjustments made upon emergence from bankruptcy, financial information in Seadrill's current financial statements is not comparable to the Seadrill Group's financial information from prior periods.*

Upon emergence from Chapter 11 Proceedings, on 22 February 2022, Seadrill adopted fresh start accounting in accordance with the provisions set forth in ASC 852. Adopting fresh start accounting results in a new financial reporting entity with no retained earnings or deficits brought forward. Upon the adoption of fresh start accounting, Seadrill's assets and liabilities were recorded at their fair values which differ materially from the recorded values of Seadrill's assets and liabilities as reflected in Seadrill's predecessor historical Consolidated Balance Sheets.

Therefore, Seadrill's unaudited interim financial statements for the first three quarters of fiscal year 2022, which have been reported since emergence, as well as financial statements issued in the future, will not be directly comparable to those from periods prior to emergence from bankruptcy, and investors may find it difficult to compare Seadrill's post-emergence financial information to that of prior periods. Investors' will not be able to compare information reflecting Seadrill's post-emergence consolidated financial statements to information for periods prior to emergence from bankruptcy without adjusting for fresh start accounting. The lack of comparable historical information may discourage investors from purchasing Seadrill Common Shares.

*1.2.10 The Seadrill 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.*

Some of the Seadrill Group's customers may seek to terminate their agreements. Some of the Seadrill Group's customers have the right to terminate their drilling contracts without cause upon the payment of an early termination fee. While this early termination fee is intended to compensate the Seadrill Group for lost revenues (less operating expenses) for the remaining contract period, in some cases, such payments may not fully compensate the Seadrill Group for the loss of the drilling contract.

Under certain circumstances the Seadrill 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 Seadrill Group's control. In addition, national oil company customers may have special termination rights by law. During periods of challenging market conditions, the Seadrill Group may be subject to an increased risk of its customers seeking to repudiate their contracts, including through claims of non-performance. The Seadrill Group's customers may seek to renegotiate their contracts using various techniques, including threatening breaches of contract and applying commercial pressure, resulting in lower revenue or the cancellation of contracts with or without any applicable early termination payments.

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

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

As at 30 September 2022, the Seadrill Group's contract backlog from continuing operations was approximately USD 2.3 billion. The contract backlog described herein and the Seadrill Group's 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 Seadrill

Group's control. In addition, the Seadrill Group or its customers may seek to cancel or renegotiate contracts for various reasons, including adverse conditions, resulting in lower revenue.

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

During the previous period of high utilization and high dayrates, which the Seadrill Group 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 currently under construction have not been contracted for future work, and a number of units in the existing worldwide fleet are currently off-contract.

As of 30 September 2022, the Seadrill Group had 12 owned operating units, zero warm-stacked units and two cold-stacked units (not including those rigs sold as part of the Jack-up Sale). Of the 12 operating units, the Seadrill Group does not expect any to be available in 2023 and potentially four units to be available in 2024. The Seadrill Group's ability to renew 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 may intensify price competition as scheduled delivery dates occur and contracts terminate without renewal, reducing dayrates as the active fleet grows.

In addition, as the Seadrill Group's fleet of drilling units becomes older, any competitive advantage of having a modern fleet may be reduced to the extent that the Seadrill Group is unable to acquire newer units or enter into newbuilding contracts as a result of financial constraints. For as long as there is an oversupply of drilling rigs, it may be more difficult for older rigs to secure extensions or new contract awards.

If the Seadrill Group is unable to secure contracts for its drilling units upon the expiration of existing contracts, the Seadrill 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 indicated above, as of 30 September 2022, the Seadrill Group had no units "warm stacked", which means the rig is kept operational and ready for redeployment, and maintains most of its crew, and two units "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. Please see risk factor no. 1.2.16 ("Some of the Seadrill Group's drilling contracts contain fixed terms and dayrates, and consequently the Seadrill Group may not fully recoup its costs in the event of a rise in expenses, including reactivation, operating and maintenance costs.") for more information.

*1.2.13 The market value of the Seadrill Group's drilling units may decrease.*

If the offshore drilling industry suffers adverse developments in the future, the fair market value of the Seadrill Group's drilling units may decrease further. The fair market value of the drilling units that the Seadrill Group currently 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;
- governmental or other regulations; and

- technological advances.

If drilling unit values fall significantly, the Seadrill Group may have to record an impairment adjustment in Seadrill's consolidated financial statements, which could adversely affect its financial results and condition. For more information, see risk factor no. 1.2.2 ("Historical downturns in activity in the oil and gas drilling industry have had an adverse impact on the Seadrill Group's business and operating results, and any future downturns or volatile market conditions are likely to adversely impact the Seadrill Group's business and operating results.").

*1.2.14 The Seadrill Group's business and operations involve numerous operating hazards, and in the current market the Seadrill Group is increasingly required to take additional contractual risk in its customer contracts, which may not be adequately covered by its insurance.*

The Seadrill 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, cratering, fires, explosions and pollution. Contract drilling and well servicing requires the use of heavy equipment and exposure to hazardous conditions, which may subject Seadrill Group to liability claims by employees, customers and/or third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental or natural resource damage, claims by third parties and/or customers, investigations and other proceedings by regulatory authorities which may involve fines and other sanctions, and suspension of operations. The Seadrill 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 (which may be more acute in certain areas where the Seadrill Group operate) 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 Seadrill Group customarily provides contract indemnification to its customers for claims relating to damage to or loss of equipment, including rigs and claims relating to personal injury or loss of life.

Damage to the environment or natural resources could also result from the Seadrill Group's operations, particularly through spillage of fuel, lubricants or other chemicals and substances used in drilling operations or uncontrolled fires. The Seadrill Group may also be subject to property, environmental, natural resource, personal injury, and other legal claims and/or injunctions by private parties, including oil and gas companies, as well as administrative, civil, and/or criminal penalties or injunctions by government authorities.

The Seadrill Group's insurance policies and contractual rights to indemnification may not adequately cover losses, and the Seadrill Group does not have insurance coverage or rights to indemnity for all risks. Consistent with standard industry practice, the Seadrill Group's customers generally assume, and indemnify the Seadrill Group against certain risks, for example, well control and subsurface risks, and the Seadrill Group generally assumes, and indemnifies against, above surface risks (including spills and other events occurring on its rigs). Subsurface risks indemnified by the Seadrill Group's customers generally include risks associated with the loss of control of a well, such as blowout or cratering or uncontrolled well-flow, the cost to regain control of or re-drill the well and associated pollution. However, there can be no assurances that these customers will honor indemnification obligations to the Seadrill Group regardless of the agreed contractual position. The terms of the Seadrill Group's drilling contracts vary based on negotiation, applicable local laws and regulations and other factors, and in some cases, customers may seek to cap indemnities or narrow the scope of their coverage, reducing the Seadrill Group's level of contractual protection and in turn exposing it to additional risks against which it may not be adequately insured.

In addition, a court, arbitrator, or other dispute resolution body may determine that certain indemnities or other terms in the Seadrill 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 Seadrill Group's insurance or an enforceable or recoverable indemnity from a customer, the occurrence could adversely affect the Seadrill Group's performance.

The amount recoverable under insurance, if any, 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 Seadrill Group retains



the risk through self-insurance for any losses in excess of these limits. Any such lack of reimbursement or suffering of loss in excess of such limits may cause the Seadrill Group to incur substantial costs.

The Seadrill Group may 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 Seadrill Group has at times in the past and has currently 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 excessive cost associated with such coverage and the mobility of the relevant rigs to avoid these windstorms. If the Seadrill Group continues to elect to self-insure such risks again in the future and such windstorms cause significant damage to any rig and equipment the Seadrill Group has in the U.S. Gulf of Mexico, it could have a material adverse effect on the Seadrill Group's financial position, operating results and cash flows.

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

*1.2.15 The Seadrill Group relies on a small number of customers and its operating results could be materially adversely affected if any of its major customers fail to compensate it for its services or if it loses a significant customer contract.*

The Seadrill Group contract drilling business is subject to the risks associated with having a limited number of customers for its services. For the nine-month period ended 30 September 2022, the Seadrill Group's five largest customers, Sonadrill Holding Ltd ("**Sonadrill**"), ConocoPhillips, Vår Energi, Equinor, and Shell accounted for approximately 66% of its revenues in the aggregate. In addition, mergers and acquisitions, or other forms of consolidation 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 Seadrill Group's operating results could be materially adversely affected if any of the Seadrill Group's major customers fail to compensate it for its services or take actions outlined above. Please see risk factor no. 1.2.10 ("The Seadrill 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.") above for more information.

The Seadrill Group is subject to risks of loss resulting from non-payment or non-performance by its customers and certain other third parties (including third parties providing services under various services agreements). 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 Seadrill Group, its 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 Seadrill Group's financial position, operating results and cash flows.

*1.2.16 Some of the Seadrill Group's drilling contracts contain fixed terms and dayrates, and consequently the Seadrill Group may not fully recoup its costs in the event of a rise in expenses, including reactivation, operating and maintenance costs.*

The Seadrill 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 Seadrill Group's operating costs may be fixed over the short term.

Some of the Seadrill Group's contracts have dayrates that are fixed over the contract term. To mitigate the effects of inflation on revenues from term contracts, most of the Seadrill Group's long-term contracts include escalation provisions. These provisions allow the Seadrill Group to adjust the dayrates based on stipulated external cost indices. However, actual cost increases may result from events or conditions that do not cause correlative changes to the applicable indices, or relate to the indices at all. Furthermore, certain indices are updated annually, and therefore may be outdated at the time of adjustment. The adjustments are typically performed on an annual basis. For these reasons, the timing and amount awarded as a result of such adjustments may differ from the Seadrill Group's actual cost increases, which could adversely affect its financial performance. Some of the Seadrill 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 downward during a period when operating or other costs are rising, which could adversely affect the Seadrill Group's financial performance. In addition, the Seadrill Group's contracts typically contain provisions for either fixed or dayrate compensation during mobilization. These rates may not fully cover the Seadrill Group's costs of mobilization, and mobilization may be delayed, increasing the Seadrill Group's costs, without additional compensation from the customer, for reasons beyond or within the Seadrill Group's control.

The Seadrill Group may incur varying levels of expenses relating to preparation for operations in connection with new assignments, including, but not limited to, the scope and length of the required preparations, whether the relevant unit is idle or stacked and reactivation is required, and the duration of the contractual period over which such expenditures are amortized.

Equipment maintenance costs fluctuate depending upon the type of activity that the unit is performing and the age and condition of the equipment, as well as the applicable environmental, safety and maritime regulations and standards. The Seadrill 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 its control.

In situations where the Seadrill Group's drilling units incur idle time between assignments, any ability to reduce the size of the Seadrill 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 Seadrill Group will seek to redeploy crew members who are not required to maintain the drilling unit to active rigs, to the fullest extent possible. However, there can be no assurance that the Seadrill 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 Seadrill Group's revenue from operations. For more information please see risk factors no. 1.2.1 ("The success and growth of the Seadrill 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 and volatility."), 1.2.10 ("The Seadrill 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 1.2.11 ("The Seadrill Group's contract backlog for its fleet of drilling units may not be realized.")

*1.2.17 Inflation has adversely affected, and may in the future adversely affect, the Seadrill Group's operating results.*

Inflationary factors such as increases in labor costs, material costs and overhead costs have, and may in the future, adversely affect the Seadrill Group's operating results. Inflationary pressures may also increase other costs to operate or reactivate the Seadrill Group's drilling rigs. The Seadrill Group's contracts for its drilling rigs generally provide for the payment of an agreed dayrate per rig operating day. As a result, the Seadrill Group may not be able to fully recover increased costs due to inflation from its customers. Continuing or worsening inflation could significantly increase the Seadrill Group's operating expenses and capital expenditures, which could in turn have a material adverse effect on the Seadrill Group's business, financial condition, results of operations or cash flows.

*1.2.18 The Seadrill Group relies on third-party suppliers and subcontractors to provide or maintain parts, crew and equipment, as applicable, for its projects and its operations may be adversely affected by the sub-standard performance or non-performance of those suppliers or third-party subcontractors due to production disruptions, quality and sourcing issues, labor availability, price increases or consolidation of suppliers and sub-contractors as well as equipment breakdowns.*

The Seadrill Group's reliance on third-party suppliers, manufacturers and service providers to secure equipment and crew used in its drilling operations exposes the Seadrill Group to volatility in the quality, price and availability of such items. Certain specialized parts, crew and equipment used in the Seadrill Group's operations may be available only from a single or a small number of suppliers. A disruption in the deliveries from such third-party suppliers, capacity constraints, production disruptions, price increases, defects or quality-control issues, recalls or other decrease in the availability or servicing of parts, labor and equipment could adversely affect the Seadrill Group's ability to meet its commitments towards its customers, adversely impact operations and revenues by resulting in uncompensated downtime, reduced day rates under the relevant drilling contracts, cancellation or termination of contracts, or increased operating costs. In addition, consolidation of suppliers may limit the Seadrill Group's ability to obtain supplies and services when needed at an acceptable cost or at all.

Equipment deficiencies or breakdowns, whether due to faulty parts, quality control issues or inadequate installation, may result in increased maintenance costs and could adversely affect the Seadrill Group's operations and revenues by resulting in rig downtime

or suspension of operations. Such issues could have a negative effect on the Seadrill Group's business, financial condition, and results of operations.

The Seadrill Group engages third-party subcontractors to perform some parts of its projects and in respect of new business models a majority of the services under a project may be subcontracted to third-party subcontractors. Subcontractors are used to perform certain services and to provide certain input in areas where the Seadrill Group does not have requisite expertise. The subcontracting of work exposes the Seadrill Group to risks associated with planning interface non-performance, delayed performance or substandard performance by its subcontractors. Any inability to hire qualified subcontractors could hinder successful completion of a project. Further, the Seadrill Group's employees may not have the requisite skills to be able to monitor or control the performance of these subcontractors. The Seadrill Group may suffer losses on contracts if the amounts is is required to pay for subcontractor services exceed original estimates. Remedial or mitigating actions, such as requiring contractual obligations on subcontractors that are similar to those the Seadrill Group has with its customers, and requesting parent guarantees to cover nonperformance by subcontractors, may not be available or sufficient to mitigate the risks associated with subcontractors. Such issues could have a negative effect on the Seadrill Group's business, financial condition, and results of operations.

Further, due to an increasing number of companies in the oil and gas drilling industry entering into Chapter 11 proceedings, or similar bankruptcy proceedings, there have been continued challenges with suppliers. Some suppliers have refused to support drilling companies due to the financial impact that multiple drilling companies have encountered with the Chapter 11 process. Drilling companies have faced suppliers reluctant to enter into agreements, more upfront demand for payment, increased costs as suppliers look to recover losses that they have incurred during past few years and their sub-tier suppliers seeing raw material cost escalations that are being passed up through the supply chain. There has been lower stocking and inventory levels with the Seadrill Group's core suppliers due to market uncertainty over the past 18 months, and many companies, having made lay-offs during the pandemic, are now short staffed and struggling to fill those positions with experienced workers.

*1.2.19 Supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases could increase the Seadrill Group's operating costs, decrease its revenues and adversely impact its operations.*

The Seadrill Group's reliance on third-party suppliers, manufacturers and service providers to secure equipment used in its drilling operations exposes it to volatility in the quality, price and availability of such items. Certain specialized parts and equipment the Seadrill Group uses in its operations may be available only from a single or small number of suppliers. During periods of reduced demand, many of these third-party suppliers reduced their inventories of parts and equipment and, in some cases, reduced their production capacity. Moreover, the global supply chain has been disrupted by the COVID-19 pandemic, resulting in shortages of, and increased pricing pressures on, among other things, certain raw materials and labor. If the market for the Seadrill Group's services improves and the Seadrill Group's seeks to reactivate warm or cold stacked rigs, upgrade its working rigs or purchase additional rigs, these reductions and global supply chain constraints could make it more difficult for the Seadrill Group to find equipment and parts for its rigs. A disruption or delay in the deliveries from such third-party suppliers, capacity constraints, production disruptions, price increases (including those related to inflation and supply chain disruptions), defects or quality-control issues, recalls or other decreased availability or servicing of parts, labor and equipment could adversely affect the Seadrill Group's ability to reactivate rigs, upgrade working rigs, purchase additional rigs or meet its commitments to customers on a timely basis, adversely impact its operations and revenues by resulting in uncompensated downtime, reduced dayrates, the incurrence of liquidated damages or other penalties or the cancellation or termination of contracts, or increase its operating costs.

*1.2.20 The Seadrill 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 Seadrill Group's drilling units will require certain governmental approvals, the number and prerequisites of which cannot be determined until the Seadrill Group identifies the jurisdictions in which it will operate once contracts for the drilling units are secured. Depending on the jurisdiction, these governmental approvals may involve public hearings and costly undertakings on the part of the Seadrill Group. The Seadrill Group may not obtain such approvals, or such approvals may not be obtained in a timely manner. If the Seadrill 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 Seadrill 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 Seadrill Group's drilling units are certified as being "in class" by the American Bureau of Shipping ("**ABS**"), Det Norske Veritas and Germanischer Lloyd ("**DNV GL**") and the relevant national authorities in the countries in which the Seadrill Group's drilling units operate. If any drilling unit loses its flag status, does not maintain its class, fails any periodical survey or special survey and/or fails to satisfy any laws of the country of operation, the drilling unit will be unable to carry on operations and will be unemployable and uninsurable, which could cause the Seadrill Group to be in violation of certain covenants in its secured credit facilities. Any such inability to carry on operations or be employed could have a material adverse impact on the operating results.

*1.2.21 The Seadrill Group has experienced, and in the future may experience, risks associated with mergers, acquisitions or dispositions of businesses or assets or other strategic transactions.*

As part of its business strategy, as evidenced, for example, by the Merger, the Seadrill Group has pursued and completed, or is in the process of completing, and may continue to pursue, mergers, acquisitions or dispositions of businesses or assets or other strategic transactions that the Seadrill Group believes will enable it to strengthen or broaden its business. Furthermore, on 18 October 2022, the Seadrill Group closed the sale of seven jack-up rigs to ADES Arabia Holding Ltd. for a total consideration of USD 670 million comprising of initial cash consideration of USD 628 million, reimbursement to Seadrill of \$50 million for estimated working capital and project costs spent less indemnity liabilities of USD 8 million held in escrow for any project costs spent in relation to the reactivation of three stacked jack-ups, namely the West Ariel, West Cressida and West Leda. Seadrill incurred USD 11 million of transaction costs related to the sale. The Seadrill Group has determined an accounting gain on disposal of USD 276 million, subject to final post-closing adjustments. Further, on 30 September 2022, the Seadrill Group entered into share purchase agreements under which it agreed to sell its entire 35% shareholding in Paratus Energy Services Limited ("**PES**") (formerly Seadrill New Finance Limited ("**NSNCo**")) and certain other interests. The sale was completed in February 2023. PES is the entity through which investments in SeaMex Group, Seabras Sapura and Archer Ltd were held. In connection with the sale, on 14 March 2023, Seadrill provided each of PES and SeaMex Holdings Ltd ("**SeaMex Holdings**") with a termination notice regarding (i) the master services agreement by and between PES and Seadrill Management Ltd ("**Seadrill Management**"), dated 20 January 2022 (the "**Paratus MSA**"), and (ii) the master services agreement by and among SeaMex Holdings, certain operating companies party thereto and Seadrill Management, dated 20 January 2022 (the "**SeaMex MSA**"), respectively. The Paratus MSA will terminate effective 12 July 2023; and the SeaMex MSA will terminate effective 10 September 2023. Seadrill does not believe these terminations will have a material effect on the financial condition of Seadrill.

The Seadrill Group may be unable to implement these merger, acquisition and disposition elements of its strategy if it cannot identify suitable companies, businesses or assets, reach agreement on potential strategic transactions on acceptable terms, manage the impacts of such transactions on its business, obtain required consents under its debt agreements or for other reasons. Moreover, mergers, acquisitions, dispositions and other strategic transactions, such as the Merger, involve various risks, including, among other things, (i) difficulties relating to integrating or disposing of a business and unanticipated changes in customer and other third-party relationships subsequent thereto, (ii) the assumption of liabilities as a result of these transactions, (iii) diversion of management's attention from day-to-day operations, (iv) failure to realize the anticipated benefits of such transactions, such as cost savings and revenue enhancements, (v) potentially substantial transaction costs associated with such transactions, (vi) potentially substantial costs and liabilities related to regulatory enforcement of actions by the other party predating the transaction, and (vii) potential impairment resulting from the overpayment for an acquisition. Such transactions may also affect the diversification of the Seadrill Group's drilling rig fleet, which may leave the Seadrill Group vulnerable to risks related to lack of diversification.

From time to time, the Seadrill Group is also approached by potential buyers for the outright purchase of some of its drilling units, businesses, or other fixed assets. As a result, the Seadrill 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 net income, and the Seadrill 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.

Future mergers or acquisitions may require the Seadrill Group to obtain additional equity or debt financing, which financing may not be available on attractive terms or at all. To the extent a transaction financed by non-equity consideration results in goodwill, our tangible net worth would be reduced, which might have an adverse effect on credit availability.

*1.2.22 The Seadrill Group's drilling rig fleet is concentrated in semisubmersible rigs and drillships, which leaves the Seadrill Group vulnerable to risks related to lack of diversification.*

The offshore contract drilling industry is generally divided into two broad markets: deepwater and shallow water drilling. These broad markets are generally divided into smaller sub-markets based upon various factors, including the type of drilling rig and drilling environment. The primary types of drilling rigs include jack-up rigs, semisubmersible rigs, drillships, platform rigs, barge rigs and submersible rigs. While all drilling rigs are affected by general economic and industry conditions, each type of drilling rig can be affected differently by changes in demand. As of 30 September 2022, the Seadrill Group owned nine semisubmersible rigs or drillships (including one for harsh environments), and five jack-ups (including one for harsh environments) (not including those rigs sold as part of the Jack-up Sale).

The Seadrill Group's drilling rig fleet is concentrated in drillships and semisubmersible rigs, particularly as a result of the Jack-up Sale. If the market for drillships and semisubmersible rigs should decline relative to the markets for other drilling rig types, such as jack-ups, the Seadrill Group's operating results could be more adversely affected relative to its competitors with drilling fleets that are less concentrated in drillships and semisubmersible rigs.

*1.2.23 The international nature of the Seadrill Group's operations involves additional risks, including foreign government intervention in relevant markets, for example in Brazil and the U.K.*

The Seadrill Group operates in various regions throughout the world. As a result of the international operations, the Seadrill 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, including, for example, the ongoing conflict between Russia and Ukraine;
- acts of piracy, which have historically affected ocean-going vessels;
- abduction, kidnapping and hostage situations;
- significant governmental influence over many aspects of local economies;
- the seizure, nationalization or expropriation of property or 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., U.K., the European Union (the "EU") and foreign sanctions or trade embargoes;
- receiving a request to participate in an unsanctioned foreign boycott under U.S. law;
- compliance with various jurisdictional regulatory or financial requirements;
- compliance with and changes to taxation, including any resulting tax disputes;
- interacting and contracting with government-controlled organizations;
- other forms of government regulation and economic conditions that are beyond the Seadrill Group's control;
- legal and economic systems that are not as mature or predictable as those in more developed countries, which may lead to greater uncertainty in legal and economic matters; and
- government corruption.

In addition, international contract drilling operations are subject to various laws and regulations of the countries in which the Seadrill 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 Seadrill 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 Seadrill Group's ability to compete. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject the Seadrill Group to criminal sanctions or civil remedies, including fines, the denial of export privileges, injunctions or seizures of assets, and may affect the availability of its existing financing arrangements and its ability to secure financing in the future.

In the nine months ended 30 September 2022 and the years ended 31 December 2021, 2020 and 2019, 11%, 13%, 5%, and 11%, respectively, of the Seadrill Group's revenues were derived from its Brazilian operations. 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, changes in interest rates, changes in tax policies, changes in legislation, wage controls, price controls, currency devaluations, capital controls and limits on imports of goods and services. Changes to fiscal and monetary policy, the regulatory environment of the industry in which the Seadrill Group operates, and legislation could impact the Seadrill Group's performance.

The Brazilian markets have experienced heightened volatility in recent years due to the uncertainties derived from the ongoing investigations being conducted by the Office of the Brazilian Federal Prosecutor, the Brazilian Federal Police, the Brazilian Securities

Commission (Comissão de Valores Mobiliários), the U.S. Department of Justice, and other Brazilian and foreign public authorities, including the largest such investigation known as Lava Jato, and the impact that such investigations have on the Brazilian economy and political environment. The ultimate outcome of certain of these investigations is uncertain, but they have already had an adverse impact on the business, image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. The Seadrill Group cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials or executives will arise in the future. The Seadrill Group also cannot predict the outcome of any such allegations on the Brazilian economy, and the Lava Jato investigation could adversely affect the Seadrill 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 Seadrill Group's business, financial condition and operating results.

The U.K. exited the EU ("**Brexit**") on 31 January 2020, consistent with the terms of the EU-UK Withdrawal Agreement, with a transition period that ended on 31 December 2020. On 1 January 2021, the U.K. left the EU Single Market and Customs Union as well as all EU policies and international agreements. As a result, the free movement of persons, goods, services and capital between the U.K. and the EU ended, and the EU and the U.K. formed two separate markets and two distinct regulatory and legal spaces. A trade agreement between the U.K. and the EU, which formally entered into force on 1 May 2021, offers U.K. and EU companies preferential access to each other's markets, ensuring imported goods will be free of tariffs and quotas (subject to rules of origin requirements). Uncertainty exists regarding the ultimate impact of this trade agreement, as well as the extent of possible financial, trade, regulatory and legal implications of Brexit, also in light of the U.K.'s Retained EU Law Bill, which proposes to repeal or replace all EU-derived legislation by 31 December 2023. Brexit also contributes to global political and economic uncertainty, which may cause, among other consequences, volatility in exchange rates and interest rates, and changes in regulations. The Seadrill Group provides contract drilling services to the international oil and gas industry and its fleet operates globally across multiple locations. Based on its global operating model and the versatility and marketability of the Seadrill Group's fleet, to date the Seadrill Group has not seen the impact of Brexit to be significant to it.

In addition, the offshore drilling industry is a global market requiring flexibility for rigs, depending on their technical capability, to relocate and operate in various environments, moving from one area to another. The mobilization of rigs is expensive and time-consuming and can be impacted by several factors including, but not limited to, governmental regulation and customs practices, availability of tugs and tow vessels, weather, currents, political instability, civil unrest, and military actions, such as the conflict between Russia and Ukraine, and rigs may as a result become stranded. Some jurisdictions enforce strict technical requirements on the rigs requiring substantial physical modification to the rigs before they can be utilized. Such modifications may require significant capital expenditures, and as a result, may limit the use of the rigs in those jurisdictions in the future. In addition, mobilization carries the risk of damage to the rig. Failure to mobilize a rig in accordance with the deadlines set by a specific customer contract could result in a loss of compensation, liquidated damages or the cancellation or termination of the contract. In some cases, the Seadrill Group may not be paid for the time that a rig is out of service during mobilization. In addition, in the hope of securing future contracts, the Seadrill Group may choose to mobilize a rig to another geographic market without a customer contract in place. If no customer contracts are obtained, the Seadrill Group would be required to absorb these costs. Mobilization and relocating activities could therefore potentially materially adversely affect the Seadrill Group's business, financial condition, and results of operations.

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

The Seadrill 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 Seadrill Group operates.

Accordingly, the Seadrill 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, from time to time, governing bodies have put in place measures, and may in the future propose and adopt measures, that materially limit or prohibit offshore drilling in certain areas. If legislative, regulatory or other governmental action is taken that restricts or prohibits offshore drilling in the Seadrill Group's current or anticipated future areas of operation the Seadrill Group could be materially and adversely affected.

Given the long-term trend towards increasing regulation, the Seadrill 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 Seadrill 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, re-export and transfer (in country) 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 Seadrill Group's operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside the Seadrill 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.

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 Seadrill 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 Seadrill Group's business, operating results or financial condition. Future earnings may be negatively affected by compliance with any such new legislation or regulations.

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

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

- conventions under the auspices of 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**");
- the 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 of 1966, as from time to time amended;
- the International Convention for the Control and Management of Ships' Ballast Water and Sediments of 2004, as from time to time amended (the "**BWM Convention**");
- 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**");
- requirements of the U.S. Environment 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 ("**OCSLA**"); and
- certain regulations of the EU.

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 Seadrill Group's drilling units. These costs could have a material adverse effect on the Seadrill Group's business, operating results, 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 Seadrill Group's operations. Because such conventions, laws, and regulations are often revised, the Seadrill Group cannot predict the ultimate cost of complying with them or the impact thereof on the resale prices or useful lives of its rigs. Additional conventions, laws and regulations may be adopted which could limit the Seadrill Group's ability to do business or increase the cost of doing business and which may materially adversely affect the Seadrill Group's operations.

Certain environmental laws impose strict, joint and several liability for the remediation of and damages attributable to spills and releases of oil and hazardous substances, which could subject the Seadrill Group to liability without regard to whether it 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 Seadrill Group is deemed a responsible party, could result in the Seadrill Group incurring significant liability, including fines, penalties, criminal liability and remediation or cleanup costs and 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 Seadrill Group's business, financial condition, operating results and cash flows. Future increased regulation of the shipping industry, or modifications to statutory liability schemes could, expose the Seadrill Group to further potential financial risk in the event of any such oil or chemical spill.

The Seadrill Group and, in certain circumstances, its customers are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to the its operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although the Seadrill Group has arranged insurance to cover certain environmental risks, such insurance is subject to exclusions and other limits, and 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 Seadrill Group's business, operating results, cash flows and financial condition. Moreover, the insurance coverage the Seadrill Group currently holds may not be available in the future, or the Seadrill Group may not obtain certain insurance coverage. Even if insurance is available and the Seadrill Group has obtained the coverage, it may not be adequate to cover its liabilities, may not be available on satisfactory terms and/or subject to high premiums, or the Seadrill Group's 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 Seadrill Group's business, operating results and financial condition.

Although the Seadrill Group's drilling units are separately owned by Seadrill's 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 Seadrill Group could be subject to liability upon a judgment against it or any one of Seadrill's subsidiaries.

The Seadrill Group's drilling units could cause the release of oil or hazardous substances. Any releases may be large in quantity, above the Seadrill Group's permitted limits or occur in protected or sensitive areas where the public, environmental groups or

governmental authorities have heightened or special interests. Any releases of oil or hazardous substances could result in fines and other costs to the Seadrill Group, such as costs to upgrade its drilling rigs, clean up the releases and comply with more stringent requirements in its discharge permits, as well as subject it to third party claims for damages, including natural resource damages. Moreover, these releases may result in the Seadrill Group's customers or governmental authorities suspending or terminating the Seadrill Group's operations in the affected area, which could have a material adverse effect on the Seadrill Group's business, operating results and financial condition.

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

*1.2.26 Any violation of anti-bribery or anti-corruption laws, including the Foreign Corrupt Practices Act, the UK Bribery Act, the Bermuda Bribery Act 2016 or similar laws and regulations could result in significant expenses, divert management attention, and otherwise have a negative impact on the Seadrill Group.*

The Seadrill Group operates in countries known to have a reputation for corruption. The Seadrill Group is subject to the risk that it, our affiliated entities or their respective officers, directors, employees and agents may take action determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977 (the "**FCPA**"), the United Kingdom Bribery Act 2010 (the "**UK Bribery Act**"), the Bermuda Bribery Act 2016 or other anti-bribery laws to which the Seadrill Group may be subject (together, the "**ABC Legislation**") and similar laws in other countries. Any violation of the FCPA, UK Bribery Act, the ABC Legislation or other applicable anti-corruption laws could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might adversely affect the Seadrill Group's business, financial condition and results of operations. In addition, actual or alleged violations could damage the Seadrill Group's reputation and ability to do business. Further, detecting, investigating and resolving actual or alleged violations is expensive and can consume significant time and attention of the Seadrill Group's senior management.

*1.2.27 If the Seadrill Group or its business partners do not comply with ethical business practices or with applicable laws and regulations, the Seadrill Group's reputation, business, and results of operations could be harmed.*

The Seadrill Group is subject to a number of modern slavery, human trafficking and forced labor reporting, training and due diligence laws in various jurisdictions and expect additional statutory regimes to combat these crimes to be enacted in the future. If the Seadrill Group or its business partners fail to comply with applicable laws, regulations, safety codes, employment practices or human rights standards, their reputation and image could be harmed, and the Seadrill Group could be exposed to litigation. Compliance with laws, such as the U.K.'s Modern Slavery Act 2015 and similar legislation, could increase costs of operations and reduce profits.

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

The U.S., the U.K., the EU 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. U.S. sanctions in particular are targeted against countries or certain economic sectors of such countries (such as Russia, Venezuela, Iran and others) that are heavily involved in the petroleum and petrochemical industries, which includes drilling activities. U.S., U.K., EU and other 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, or CISADA, which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of sanctions to non-U.S. companies such as Seadrill and introduced limits on such companies and persons that 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 U.S. signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or 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 now apply to any foreign entity owned or controlled by a U.S. person. Another major provision in the Iran Threat Reduction Act is that issuers of securities must disclose in their annual and quarterly reports filed with the Commission after 6 February 2013 if the issuer or "any affiliate" has "knowingly" engaged in certain activities involving Iran during the timeframe covered by the report. At this time, the Seadrill Group is not aware of any activities conducted by it or by any affiliate that are likely to trigger such a disclosure requirement. On 2 January 2013, the U.S. signed into law the Iran Freedom and Counter-Proliferation Act of 2012 ("**IFCA**"), as a part of the National Defense Authorization Act for Fiscal Year 2013. Among other measures, IFCA authorizes broad sanctions on certain activities related to Iran's energy, shipping, and shipbuilding sectors.

The Office of Foreign Assets Control ("**OFAC**") acted several times over 2019 and 2018 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, including re-adding on 5 November 2018, hundreds of individuals and entities that had previously been delisted in connection with the 2015 Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program. Further, OFAC issued sanctions on specific sectors of the Iranian economy, including the iron, steel, aluminum, and copper sectors (8 May 2019), the construction, mining, manufacturing, or textiles sectors (10 January 2020), and the financial sector (8 October 2020). These sector-wide sanctions also authorize the imposition of secondary sanctions on non-U.S. persons and non-U.S. financial institutions who engage in certain dealings in those sectors, including the potential designation of such persons or financial institutions themselves.

In August 2017, the U.S. 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 maintains a sanctions program targeting Venezuela, and any new sanctions targeting Venezuela could further restrict the Seadrill Group's ability to do business in such country. On 28 January 2019, OFAC added the Venezuelan state-owned oil company, *Petróleos de Venezuela, S.A.*, to its List of Specially Designated Nationals and Blocked Persons, increasing the sanctions risk for companies operating in the oil sector. Subsequently, on 5 August 2019, the U.S. issued Executive Order 13884 which further increased sanctions on Venezuela and blocked the entire Government of Venezuela. OFAC has also imposed sanctions on non-Venezuelan firms for operating in Venezuela. On 18 February 2020, OFAC imposed sanctions on Switzerland-based firm Rosneft Trading S.A., due to its operations in the oil sector of Venezuela. On 30 November 2020, OFAC imposed sanctions on the Chinese state-owned entity China National Electronics Imports and Export Corporation for providing support to Venezuela government entities. OFAC has since imposed sanctions on additional individuals and entities in a variety of countries involved in the petroleum and petrochemical industries.

In addition to the sanctions against Iran, Russia, and Venezuela, 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 Seadrill'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.

On 18 December 2020, the U.S. Department of Commerce Bureau of Industry and Security ("**BIS**") designated a number of Chinese parties on the Entity List, including parties involved in the offshore drilling and maritime industries such as China Communications Construction Company Ltd. Most items subject to the Export Administration Regulations ("**EAR**") now require a license to export, reexport, or transfer (in country) to such parties. On 14 January 2021, BIS added China National Offshore Oil Corporation to the Entity List, which was revised on 30 June 2022, to clarify that the entity listed is CNOOC Limited, a core subsidiary of China National Offshore Oil Corporation. On 23 December 2020, BIS also established a Military End User List ("**MEUL**") and designated over 100 parties from China and Russia on the MEUL, including those in the offshore drilling and maritime industries. BIS has since designated additional persons in China and Russia on the MEUL. Certain items subject to the EAR require a license from BIS to export, reexport, or transfer (in country) to such parties.

Certain parties with whom the Seadrill Group has entered into contracts may be, or may be affiliated with persons or entities that are, the subject of sanctions imposed by the United States, the U.K., the EU or other international bodies as a result of the

annexation of Crimea by Russia in March 2014 and the subsequent conflict between Russia and Ukraine from 2014 through the present, or malicious cyber-enabled activities. If the Seadrill Group determines that such sanctions require it to terminate existing contracts or if the Seadrill Group is found to be in violation of such applicable sanctions, the Seadrill Group's operating results may be adversely affected, or the Seadrill Group may suffer reputational harm. The Seadrill Group may also lose business opportunities to companies that are not required to comply with these sanctions.

Due to the escalation of the conflict between Russia and Ukraine, starting in February 2022, the United States, the EU, the United Kingdom, and other governments (i) designated multiple individuals and entities in Russia and Belarus with ties to those governments and/or financial and energy sectors on their respective sanctions- and export-restricted party lists, (ii) imposed comprehensive sanctions on the so-called Donetsk and Luhansk regions of Ukraine, and (iii) imposed export controls on the export, reexport, and transfer to Russia and Belarus of certain items in the maritime and other sectors.

From time to time, the Seadrill Group may enter into drilling contracts with countries or government-controlled entities that are subject to sanctions, export restrictions 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 Seadrill Group'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 Seadrill Group's reputation and the market for Seadrill Common Shares. The Seadrill Group does not currently 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.

As stated above, the Seadrill Group believes that it 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 Seadrill Group will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Rapid changes in the scope of global sanctions may also make it more difficult for the Seadrill 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 Seadrill Common Shares. Additionally, some investors may decide to divest their interest, or not to invest, in Seadrill Common Shares simply because the Seadrill Group may do business with companies that do business in sanctioned countries. Moreover, the Seadrill Group's drilling contracts may indirectly involve persons subject to sanctions and embargo laws and regulations as a result of actions that do not involve the Seadrill Group, or its drilling rigs, and even if those dealings are lawful, it could in turn negatively affect the Seadrill Group's reputation. Investor perception of the value of Seadrill Common 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.

*1.2.29 The Seadrill Group has suffered, 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 its business, financial condition, operating results and cash flows.*

The Seadrill Group currently holds investments in several other companies in the industry that it owns/operates offshore drilling rigs with similar characteristics to its fleet of rigs or deliver various other oilfield services. These investments include equity interests in Sonadrill and Gulfdrill LLC ("**Gulfdrill**"). The Seadrill Group provides various services to certain of these companies, including provision of operating and technical support and management and administrative services agreements.

As of 30 September 2022, the carrying value of the Seadrill Group's equity method investments was USD 79 million, and the receivables from equity method investments was USD 63 million. This compares to USD 27 million and USD 29 million, respectively, as of 31 December 2021.

The Seadrill Group recently announced the sale of its entire 35% shareholding in PES, which was completed in February 2023. As a result of the sale, the Seadrill Group no longer holds any interest in SeaMex Group, Seabras Sapura, or Archer Ltd. In connection with the sale, on 14 March 2023, Seadrill provided each of PES and SeaMex Holdings with a termination notice regarding (i) the Paratus MSA and (ii) the SeaMex MSA, respectively. The Paratus MSA will terminate effective 12 July 2023; and the SeaMex MSA will terminate effective 10 September 2023. Seadrill does not believe these terminations will have a material effect on the financial condition of Seadrill.

The market value of the Seadrill 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 Seadrill Group sells its equity interest in an investment at a time when the value of such investment has fallen, the Seadrill Group may incur a loss on the sale or an impairment loss being recognized, ultimately leading to a reduction in earnings.

In current market conditions, the Seadrill Group may consider entering into further joint venture arrangements where each joint venture partner bareboat charters their rigs into the joint venture entity. Through such a structure, the Seadrill Group would seek to manage and operate all joint venture rigs and enable the group to access additional markets, increase presence in a particular market or secure drilling contracts from counterparties who may only be willing to grant those drilling contracts pursuant to or as part of implementing a joint venture with the Seadrill Group. However, any financial return from drilling contracts will be diluted to the shareholding percentage the Seadrill Group holds in the related joint venture entity and financial success of the joint venture will depend on the management fee rates the Seadrill Group is able to agree with its joint venture partner.

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

The Seadrill 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 Seadrill 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. In some regions, such as Brazil and West 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 Seadrill Group's costs. These factors could further create and intensify upward pressure on wages and make it more difficult for the Seadrill Group to staff and service its rigs. Such developments could adversely affect the Seadrill Group's financial results and cash flows. Furthermore, as a result of any increased competition for qualified personnel, the Seadrill Group may experience a reduction in the experience level of its personnel, which could lead to higher downtime and more operating incidents.

The Seadrill 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 Seadrill Group operates. Governmental actions in some of these jurisdictions may make it difficult for the Seadrill Group to move its personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. If the Seadrill Group is not able to obtain visas and work permits for the employees it needs for operating its rigs on a timely basis, or for third-party technicians needed for maintenance or repairs, the Seadrill Group might not be able to perform its obligations under its drilling contracts, which could allow the Seadrill Group's customers to cancel the contracts. Please see risk factor no. 1.2.10 ("The Seadrill 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.") for more information.

*1.2.31 Labor costs and the Seadrill Group's operating restrictions that apply could increase following collective bargaining negotiations and changes in labor laws and regulations.*

Some of the Seadrill Group's employees are represented by collective bargaining agreements. The majority of these employees work in Brazil and Norway. In addition, some of the Seadrill Group's contracted labor works under collective bargaining agreements. As part of the legal obligations in some of these agreements, the Seadrill Group is required to contribute certain amounts to retirement funds and pension plans and the ability to dismiss employees is restricted. 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 Seadrill Group's financial performance.

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

Due to concern over the risk of climate change, a number of countries, the EU and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions in the shipping industry. For example, ships (including rigs and drillships) must comply with IMO and EU regulations relating to the collection and reporting of data relating to greenhouse gas emissions. In April 2018, the IMO adopted a strategy to, among other things, reduce the 2008 level of greenhouse gas emissions from the shipping industry by 50% by the year 2050. Other governmental bodies may begin regulating greenhouse gas emissions from shipping sources in the future, but the future of such regulations is difficult to predict.

Compliance with existing regulations and changes in laws, regulations and obligations relating to climate change could increase the Seadrill Group's costs to operate and maintain its assets, and might also require it to install new emission controls, acquire allowances or pay taxes related to its 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 jurisdictions in which the Seadrill Group operates, or any treaty or agreement adopted at the international level, such as the Kyoto Protocol or Glasgow Climate Pact, which restricts emissions of greenhouse gases could require the Seadrill Group to make significant financial expenditures which it 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 Seadrill 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. In addition, parties concerned about the potential effects of climate change have directed their attention at sources of funding for energy companies, which has resulted in certain financial institutions, funds and other sources of capital, restricting or eliminating their investment in or lending to oil and gas activities. Any material adverse effect on the oil and gas industry relating to climate change concerns could have a significant adverse financial and operational impact on the Seadrill Group's business and operations.

Finally, the impacts of severe weather, such as hurricanes, monsoons and other catastrophic storms, resulting from climate change could cause damage to the Seadrill Group's equipment and disruption to its operations and cause other financial and operational impacts, including impacts on its major customers.

*1.2.33 Increasing attention to environmental, social and governance matters and climate change may impact the Seadrill Group's business and financial results.*

Companies across all industries are facing increasing scrutiny relating to their Environmental, Social and Governance ("ESG") policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed growing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or not to commit capital as a result of their assessment of a company's ESG practices. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition or share price of such a company could be materially and adversely affected.

The Seadrill Group may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce its carbon footprint and promote sustainability. As a result, the Seadrill Group may be required to implement more stringent ESG procedures or standards so that its existing and future investors and lenders remain invested and make further investments in Seadrill. If the Seadrill Group does not meet these standards, its business or its ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude companies engaged in the fossil fuel industry, such as Seadrill, from their investing portfolios altogether due to ESG factors. These limitations in both the debt and equity capital markets may affect the Seadrill Group's ability to grow as its plans for growth may include accessing those markets. If those markets are unavailable, or if the Seadrill Group is unable to access alternative means of financing on acceptable terms, or at all, the Seadrill Group may be unable to implement its business strategy, which would have a material adverse effect on the Seadrill Group's financial condition and results of operations and impair its ability to service its indebtedness. Further, it is likely that the Seadrill Group will incur additional costs and require additional resources to monitor, report and comply with wide-ranging ESG requirements and goals, targets or objectives set in connection therewith. Similarly, these policies may negatively impact the ability of other businesses in our supply chain to access debt and capital markets. The occurrence of any of the foregoing could have a material adverse effect on the Seadrill Group's business and financial condition.

*1.2.34 Failure to effectively and timely respond to the impact of energy rebalancing could adversely affect the Seadrill Group's business, results of operations and cash flows.*

The Seadrill Group's long-term success depends on its ability to effectively respond to the impact of energy rebalancing, which could require adapting its fleet and business to potentially changing government requirements, customer preferences and customer base, as well as engaging with existing and potential customers and suppliers to develop or implement solutions designed to reduce or to decarbonize oil and gas operations or to advance renewable and other alternative energy sources. If the energy rebalancing landscape changes faster than anticipated or in a manner that the Seadrill Group does not anticipate, demand for its services could be adversely affected. Furthermore, if the Seadrill Group fails to, or is perceived not to, effectively implement an energy rebalancing strategy, or if investors or financial institutions shift funding away from companies in fossil fuel-related industries, the Seadrill Group's access to capital or the market for its securities could be negatively impacted.

*1.2.35 The Seadrill Group's failure to adequately protect its sensitive information and operational technology systems and critical data and its service providers' failure to protect their systems and data could have a material adverse effect on the Seadrill Group's business, results of operations and financial condition.*

The Seadrill Group's day-to-day operations increasingly depend on information and operational technology systems that it manages, and other systems that its third parties, such as its service providers, vendors, and equipment providers, manage, including critical systems on the Seadrill Group's drilling units. These systems are subject to risks associated with growing and evolving cyber incidents or attacks. These risks include, but may not be limited to, human error, power outages, computer and telecommunication failures, natural disasters, fraud or malice, social engineering or phishing attacks, viruses or malware, and other cyberattacks, such as denial-of-service or ransomware attacks. Reports indicate that entities or groups, including cybercriminals, competitors, and nation state actors, have mounted cyber-attacks on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. In addition, the US government has issued public warnings that indicate energy assets and companies engaging in significant transactions, such as acquisitions, might be specific targets of cybersecurity threats.

Also, many of the Seadrill Group's non-operational employees work remotely a significant amount of their time, which has created certain operational risks, such as an increased risk of security breaches or other cyber incidents or attacks, loss of data, fraud and other disruptions as more fully outlined above. Working remotely has significantly increased the use of technological and online telecommunication services and remote networking, which enable employees to work outside of the Seadrill Group's corporate infrastructure and, in some cases, use their own personal devices.

This remote work model has resulted in an increased demand for technological resources and may expose us to additional risks of cyber-incidents or attacks, security breaches, loss of data, fraud and other disruptions as a consequence of more employees accessing sensitive and critical information remotely. Due to the nature of cyber-attacks, breaches to our systems or our service or equipment providers' systems could go undetected for a prolonged period of time. A breach could also compromise or originate from our customers', vendors', or other third-party systems or networks outside of our control. A security breach may result in legal claims or proceedings against us by our shareholders, employees, customers, vendors and governmental authorities, both in the US and internationally.

While the Seadrill Group maintains a cybersecurity program, which includes administrative, technical, and organizational safeguards, a significant cyberattack or incident-either with the Seadrill Group's systems or a critical third-party's systems-could disrupt the Seadrill Group's operations and result in downtime, loss of revenue, harm to the its reputation, or the loss, theft, corruption or unauthorized release of critical data of the Seadrill Group or those with whom the Seadrill Group do business with, as well as result in higher costs to correct and remedy the effects of such incidents, including potential extortion payments associated with ransomware or ransom demands. If the Seadrill Group, or its service or equipment providers', safeguards maintained for protecting against cyber incidents or attacks prove to be insufficient, and an incident were to occur, it could have a material adverse effect on the Seadrill Group's business, financial condition, reputation, and results of operations. Even though the Seadrill Group carries cyber insurance that may provide insurance coverage under certain circumstances, it might suffer losses as a result of a security breach or cyber incident that exceeds the coverage available under its policy or for which it does not have coverage.

In addition, laws and regulations governing, or proposed to govern, cybersecurity, data privacy and protection, and the unauthorized disclosure of confidential or protected information, including the U.K. Data Protection Act, the GDPR (as defined below), Bermuda Personal Information Protection Act 2016, the California Consumer Privacy Act, the Cyber Incident Reporting for Critical Infrastructure Act, and other similar legislation in domestic and international jurisdictions pose increasingly complex compliance challenges and potentially elevate costs, and any failure to comply with these laws and regulations could result in significant penalties and legal liability.

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

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 Seadrill. The Seadrill Group's drilling operations could also be targeted by acts of sabotage carried out by environmental activist groups.

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

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 Seadrill Group's operating results.

*1.2.37 The Seadrill Group's drilling contracts with national oil companies may expose it to greater risks than the Seadrill Group normally assumes in drilling contracts with non-governmental customers.*

The Seadrill Group currently owns and operates rigs that are contracted with national oil companies. The terms of these contracts are often non-negotiable and may expose the Seadrill Group to greater commercial, political and operational risks than the Seadrill Group assumes in other contracts, such as exposure to materially greater environmental liability, personal injury and other claims for damages (including consequential damages), or the risk that the contract may be terminated by the Seadrill Group's customer without cause on short-term notice, contractually or by governmental action, under certain conditions that may not provide the Seadrill Group with an early termination payment. The Seadrill Group can provide no assurance that the increased risk exposure will not have an adverse impact on its future operations or that it will not increase the number of rigs contracted to national oil companies with commensurate additional contractual risks.



*1.2.38 The Seadrill Group cannot guarantee that the use of its drilling units will not infringe the intellectual property rights of others.*

The majority of the intellectual property rights relating to the Seadrill Group's drilling units and related equipment are owned by the Seadrill Group's suppliers. In the event that one of the Seadrill Group's suppliers becomes involved in a dispute over an infringement of intellectual property rights relating to equipment owned by the Seadrill Group, the Seadrill Group may lose access to repair services or replacement parts or could be required to cease using some equipment. In addition, the Seadrill Group's competitors may assert claims for infringement of intellectual property rights related to certain equipment on the Seadrill Group's drilling units and the Seadrill 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 Seadrill Group's suppliers or competitors could adversely affect the Seadrill Group's financial results and operations. The Seadrill Group has indemnity provisions in some of its supply contracts to give some protection from the supplier against intellectual property lawsuits. However, the Seadrill Group cannot make any assurances that these suppliers will have sufficient financial standing to honor their indemnity obligations or guarantee that the indemnities will fully protect the Seadrill Group from the adverse consequences of such technology disputes. The Seadrill Group also has provisions in some of its client contracts to require the client to share some of these risks on a limited basis, but the Seadrill Group cannot provide assurance that these provisions will fully protect it from the adverse consequences of such technology disputes.

*1.2.39 The novel coronavirus, or COVID-19, pandemic has affected and may materially adversely affect, and any future outbreak of any other highly infectious or contagious diseases may materially adversely affect, the Seadrill Group's operations and the Seadrill Group's financial performance and condition, operating results and cash flows.*

The COVID-19 pandemic has affected, and may materially adversely affect, the Seadrill Group's business and financial and operating results. In the future, COVID-19 or another similar pandemic could negatively impact the Seadrill Group's business in numerous ways, including, but not limited to, the following:

- the Seadrill Group's revenue may be reduced if the pandemic results in an economic downturn or recession that leads to a prolonged decrease in the demand for natural gas, NGLs and oil;
- the Seadrill Group's operations may be disrupted or impaired, if a significant portion of its employees or contractors are unable to work due to illness or if field operations are suspended or temporarily shut-down or restricted due to control measures designed to contain the pandemic; and
- the disruption and instability in the financial markets and the uncertainty in the general business environment may affect the Seadrill Group's ability to raise capital.

To the extent the COVID-19 pandemic, and any future outbreak of any other highly infectious or contagious diseases, adversely affects the Seadrill Group's business and financial results, it may also have the effect of heightening many of the other risks set forth herein, such as those relating to the Seadrill Group's financial performance, the Seadrill Group's ability to access capital and credit markets, the Seadrill Group's credit ratings and debt obligations. The rapid development and fluidity of COVID-19, and any future outbreak of any other highly infectious or contagious diseases, precludes any prediction as to the ultimate adverse impact of an outbreak on the Seadrill Group's business. The impact will depend on numerous evolving factors and future developments that the Seadrill Group is not able to predict, including the length of time that the pandemic continues, its effect on the demand for natural gas, NGLs and oil, the response of the overall economy and the financial markets as well as the effect of governmental actions taken in response to the pandemic.

*1.2.40 The Seadrill Group may recognize impairments on long-lived assets, including goodwill and other intangible assets, or recognize impairments on its equity method investments.*

The Seadrill Group regularly evaluate the value of its property and equipment, primarily its drilling rigs. If the Seadrill Group determines that a drilling unit's book value is not recoverable over its remaining asset life, the Seadrill Group would be required to record an impairment charge resulting in a loss being recorded in Seadrill's financial statements. Impairments can have a significant negative impact on the Seadrill Group's financial statements and the Seadrill Group's overall financial performance.

The Seadrill Group may face financial losses in the future due to a range of factors such as a decline in demand for offshore drilling rigs. The offshore drilling industry has historically been cyclical, and the Seadrill Group has experienced periods where rigs have been idle or underused for long periods where there has been a surplus of available drilling rigs. Additionally, during such periods, the Seadrill Group has been required to reduce dayrates to remain competitive. Future decreases in demand for the Seadrill Group's units, or other adverse events, could lead to impairment charges.

For example, before emergence from Chapter 11, Seadrill's predecessor entity recorded impairment charges against its drilling units of USD 152 million in the year ended 31 December 2021, and USD 4,087 million in the year ended 31 December 2020. Seadrill's predecessor entity also recorded impairment charges against intangible assets of USD 21 million in the year ended 31 December 2020. Similar events in the future may impact the Seadrill Group's future financial performance and results.

*1.2.41 Interest rate fluctuations could affect the Seadrill Group's earnings and cash flows.*

In order to finance its growth, the Seadrill Group has incurred significant amounts of debt. The Seadrill Group's secured credit facilities have floating interest rates. As such, significant movements in interest rates, including the recent rise in interest rates, could have an adverse effect on the Seadrill Group's earnings and cash flows to the extent interest becomes payable. To manage its exposure to interest rate fluctuations through interest rate swaps on 11 May 2018, the Seadrill Group entered into an agreement, that runs until 15 June 2023, to hedge part of its interest rate risk, through the purchase of an interest rate cap. Please see Item 11- "Quantitative and qualitative disclosures about market risk" in the Seadrill Annual Financial Statements (as defined below) for further details of the Seadrill Group's use of derivatives to mitigate exposures to interest rate risk.

If the Seadrill 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 Seadrill Group's interest rate exposure and debt service obligations, which would exacerbate the risks associated with the Seadrill Group's leveraged capital structure.

*1.2.42 The transition away from LIBOR may adversely affect the Seadrill Group's cost to obtain financing and cause the Seadrill Group's debt service obligations to increase significantly.*

Certain of the Seadrill Group's agreements use the London Interbank Offered Rate ("**LIBOR**") as a "benchmark" or "reference rate" for establishing various terms. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, stopped publishing one-week and two-month USD LIBOR rates after 2021, with remaining USD LIBOR rates ceasing to be published after 30 June 2023. In the United States, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has proposed the Secured Overnight Financing Rate (SOFR), a new index calculated by short-term repurchase agreements backed by U.S. Treasury securities, as an alternative to LIBOR. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past.

There is no guarantee that a transition from LIBOR to an alternative reference rate will not result in financial market disruptions or significant increases in benchmark rates or financing costs to borrowers. Uncertainty as to the nature of such phase out and selection of an alternative reference rate, together with potential disruption in the financial markets, could increase the cost of the Seadrill Group's variable rate indebtedness.

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

As a result of the Seadrill 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 USD. Accordingly, the Seadrill Group may experience currency exchange losses if the Seadrill Group has not adequately hedged its exposure to a foreign currency, or if revenues are received in currencies that are not readily convertible. There is no guarantee that the Seadrill Group's future operating results will not be adversely impacted by fluctuations in currency exchange rates. The Seadrill 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 Seadrill Group uses USD as its functional currency because the majority of its revenues and expenses are denominated in USD. Accordingly, the Seadrill Group's reporting currency is also USD. The Seadrill Group does, however, earn revenues and incur expenses in other currencies such as Norwegian krone (NOK), U.K. pounds sterling, Brazilian real and Angolan Kwanza and there

is a risk that currency fluctuations could have an adverse effect on the Seadrill 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 Seadrill Group's business and operations as a result of changes in currency, exchange rates, tariffs, treaties and other regulatory matters.

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

The Seadrill 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 Seadrill Group is subject to changing tax laws, regulations and treaties in and between the countries in which the Seadrill Group operates, including treaties between the United States and other nations. The Seadrill 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, and the OECD's 2.0 initiative, Pillar 2, if implemented in countries that the Seadrill Group operates in or in the interpretation thereof, or in the valuation of the Seadrill Group's deferred tax assets, which is beyond its control, could result in a materially higher tax expense or a higher effective tax rate on the Seadrill Group's worldwide earnings.

The United States enacted the Inflation Reduction Act of 2022 (the "**Inflation Reduction Act**") on 16 August 2022. This law imposes, among other things, a 15% corporate alternative minimum tax on adjusted financial statement income, and a 1% excise tax on certain corporate stock repurchases occurring after 31 December 2022. While the Seadrill Group believes these tax law changes have no immediate effect on it and are not expected to have a material adverse effect on its results of operations going forward, it is unclear how they will be implemented by the U.S. Department of Treasury and what, if any, impact they will have on the Seadrill Group's tax rate. The Seadrill Group will continue to evaluate the impact of the Inflation Reduction Act as further information becomes available.

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

The Seadrill Group's tax returns are subject to review and examination. The Seadrill 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 Seadrill Group's operational structure, intercompany pricing policies or the taxable presence of Seadrill's subsidiaries in certain countries; or if the terms of certain Double Tax Treaties are interpreted in a manner that is adverse to the Seadrill Group's structure; or if the Seadrill Group loses a material tax dispute in any country, the Seadrill Group's taxes on its worldwide earnings could increase substantially and its earnings and cash flows from operations could be materially adversely affected. For additional information on tax assessments and claims issued, refer to Note 12 - Taxation in the Seadrill Annual Financial Statements.

*1.2.46 Legislation enacted in Bermuda as to Economic Substance may affect the Seadrill Group's operations.*

Pursuant to the Economic Substance Act 2018 (as amended) and related regulations (the "**ESA**"), which came into force on 1 January 2019, a registered entity other than an entity which is resident for tax purposes in certain jurisdictions outside Bermuda that carries on as a business any one or more of the "relevant activities" referred to in the ESA must comply with economic substance requirements. The ESA may require in-scope Bermuda entities which are engaged in such "relevant activities" to be directed and managed in Bermuda, have an adequate level of qualified employees in Bermuda, incur an adequate level of annual expenditure in Bermuda, maintain physical offices and premises in Bermuda or perform core income-generating activities in Bermuda. The list of "relevant activities" includes carrying on any one or more of the following activities: banking, insurance, fund management, financing and leasing, headquarters, shipping, distribution and service center, intellectual property and holding entities. An in-scope Bermuda entity that carries on a relevant activity is obliged under the ESA to file a declaration with the Bermuda Registrar of Companies on an annual basis containing certain information. The ESA could affect the manner in which Seadrill (or any of its Bermuda subsidiaries) operate its business, which could adversely affect the Seadrill Group's business, financial condition and operating results. If Seadrill was required to satisfy economic substance requirements in Bermuda but failed to do so, Seadrill could face automatic disclosure to competent authorities in the EU of the information filed by it with the Bermuda Registrar of Companies

in connection with the economic substance requirements and may also face financial penalties, restriction or regulation of its business activities and/or may be struck off as a registered entity in Bermuda.

*1.2.47 The Seadrill Group may be subject to litigation, arbitration, other proceedings and regulatory investigations that could have an adverse effect on it.*

The Seadrill Group is currently involved in various litigation and arbitration matters, and the Seadrill Group anticipates that it will be involved in dispute matters from time to time in the future. The operating and other hazards inherent in the Seadrill Group's business expose it to disputes, including personal injury disputes, worker health and safety matters, environmental and climate change litigation, contractual disputes with customers or lessors of rigs that the Seadrill Group has leased, or may in the future lease, such as the West Linus and West Hercules rigs, intellectual property and patent disputes, tax or securities disputes, regulatory investigations and maritime lawsuits, including the possible arrest of the Seadrill Group's drilling units. The Seadrill Group cannot predict, with certainty, the outcome or effect of any claim or other dispute matters, or a combination of these. If the Seadrill Group is involved in any future disputes, or if the Seadrill Group's positions concerning current disputes are found to be incorrect, there may be an adverse effect on the Seadrill Group's business, financial position, operating results and available cash, because of potential negative outcomes, the costs associated with asserting the Seadrill Group's claims or defending such lawsuits or proceedings, and the diversion of management's attention to these matters. For additional information on material litigation matters that the Seadrill Group currently is involved in, please see Section 5.7 ("Legal and arbitration proceedings").

*1.2.48 If the Seadrill Group fails to comply with requirements relating to internal control over financial reporting its business could be harmed and the price of Seadrill Common Shares could decline.*

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require that the Seadrill Group assess 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 Seadrill Group has evaluated its internal control over financial reporting as effective as of 31 December 2021, in future fiscal years, the Seadrill Group 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, which could lead to a decline in the price of Seadrill Common Shares, limit the Seadrill Group's ability to access the capital markets in the future, and require the Seadrill Group to incur additional costs to improve its internal control over financial reporting and disclosure control systems and procedures. Further, if lenders and other debt financing sources lose confidence in the reliability of Seadrill's financial statements, it could have a material adverse effect on the Seadrill Group's ability to secure replacement or additional financing, or amendments to its existing secured credit facilities, on terms acceptable to it or at all.

*1.2.49 As a non-accelerated filer, the Seadrill Group was previously not required to have its independent registered public accountants audit our internal controls over financial reporting. As such, the Seadrill Group cannot assure that its independent registered public accountants will attest that internal control over financial reporting is effective in future fiscal years.*

Seadrill was previously exempt from the auditor attestation on internal controls over financial reporting under the Sarbanes-Oxley Act as Seadrill was a non-accelerated filer when it filed its Annual Report on Form 20-F for the year ended 31 December 2021. However, based on Seadrill's market capitalization as of 30 June 2022, Seadrill has determined that it is no longer a non-accelerated filer. As such, Seadrill's external auditors will be required to provide an attestation over the effectiveness of Seadrill's internal control over financial reporting in Seadrill's next annual report for the year ended 31 December 2022.

Seadrill cannot guarantee at this time that its external auditors will attest that its internal control over financial reporting is effective. This lack of an attestation may cause investors to lose confidence in Seadrill's reported financial information, which could lead to a decline in the price of Seadrill Common Shares, limit the Seadrill Group's ability to access the capital markets in the future, and require the Seadrill Group to incur additional costs to improve its internal control over financial reporting and disclosure control and procedures. Additionally, if lenders and other debt financing sources lose confidence in the reliability of Seadrill's financial statements, it could have a material adverse effect on the Seadrill Group's ability to secure replacement or additional financing, or amendments to its existing secured credit facilities, on terms acceptable to the Seadrill Group or at all.

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

The Seadrill Group is subject to regulations related to privacy, data protection and information security in the jurisdictions in which it 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 U.S. and in various countries in which the Seadrill Group operates. In addition, legislators and/or regulators in the U.S., the U.K., the EU and other jurisdictions in which the Seadrill Group operates are increasingly adopting or revising privacy, data protection and information security laws that could create compliance uncertainty and could increase the Seadrill Group's costs or require it 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 serve as an appropriate safeguard in relation to international transfers of personal data from the EEA to the U.S. However, this self-certification faces a number of legal challenges and is subject to annual review. This has resulted in some uncertainty and obligations to look at other appropriate safeguards to protect the security and confidentiality of personal data in the context of cross-border data transfers. Moreover, compliance with current or future privacy, data protection and information security laws could significantly impact the Seadrill Group's current and planned privacy, data protection and information security related practices, the Seadrill Group's collection, use, sharing, retention and safeguarding of consumer and/or employee information, and some of the Seadrill Group's current or planned business activities. The Seadrill Group's 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 its operating results and overall business, as well as have an impact on its reputation. For example, the General Data Protection Regulations (EU) 2016/679 (the "**GDPR**"), as supplemented by any national laws (such as in the U.K., the Data Protection Act 2018) and further implemented through binding guidance from the European Data Protection Board, came into effect on 25 May 2018. The GDPR expanded the scope of the EU data protection law to all foreign companies processing personal data of EEA individuals and imposed a stricter data protection compliance regime, including the introduction of administrative 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, as well as the right to compensation for financial or non-financial damages claimed by any individuals under Article 82 of the GDPR.

### **1.3 Risks Inherent in an Investment in Seadrill**

1.3.1 *Aquadrill Common Unitholders will be entitled to different rights as Seadrill Common Shareholders than those to which they are entitled as Aquadrill Common Unitholders.*

Following completion of the Merger, holders of Aquadrill Common Units will no longer hold Aquadrill Common Units, but will instead hold Seadrill Common Shares. Seadrill is an exempted company limited by shares existing under the laws of Bermuda, and Aquadrill is a Marshall Islands limited liability company. There are important differences between the rights of holders of Aquadrill Common Units and the rights of Seadrill Common Shareholders. Please see the section entitled "Comparison of Rights of Seadrill Common Shareholders and Aquadrill Common Unitholders." of the Registration Statement for further description.

1.3.2 *The Merger may not be accretive, and may be dilutive, to Seadrill's earnings per share, which may negatively affect the market price of Seadrill Common Shares.*

Because Seadrill Common Shares will be issued in the Merger, it is possible that, although Seadrill currently expects the Merger to be accretive to earnings per share, the Merger may be dilutive to Seadrill earnings per share, which could negatively affect the market price of Seadrill Common Shares. The aggregate amount of the Merger Consideration is fixed at 30,645,160 Seadrill Common Shares, including shares payable under the Aquadrill Sale Bonus and pursuant to Aquadrill Equity Awards, in each case as described herein. The issuance of these new Seadrill Common Shares could have the effect of depressing the market price of Seadrill Common Shares, through dilution of earnings per share or otherwise. Any dilution of, or delay of any accretion to, Seadrill's earnings per share could cause the price of Seadrill Common Shares to decline or increase at a reduced rate.

1.3.3 *The market value of Seadrill Common Shares could decline if large amounts of Seadrill Common Shares are sold following the Merger and the market value of Seadrill Common Shares could also decline as a result of issuances and sales of Seadrill Common Shares other than in connection with the Merger.*

Following completion of the Merger, unitholders will no longer hold Aquadrill Common Units, and will own interests in a combined company operating an expanded business with more assets and a different mix of liabilities. Current holders of Seadrill Common Shares and former holders of Aquadrill Common Units may not wish to continue to invest in the Combined Company, or may wish to reduce their investment in the Combined Company, in order to comply with institutional investing guidelines, to increase diversification or to track any rebalancing of stock indices in which Seadrill Common Shares are or were included. Moreover: (i) pursuant to the Merger Agreement (as defined herein), on February 22, 2022, Seadrill entered into a registration rights agreement with certain Holders (as defined herein); and (ii) Seadrill will enter into a registration rights agreement with the Consenting Members in connection with closing the Merger, in each case, to facilitate the resale of Seadrill Common Shares issued to the parties to such agreements, as further described herein. If, following the completion of the Merger, large amounts of Seadrill Common Shares are sold, the price of Seadrill Common Shares could decline.

Furthermore, Seadrill cannot predict the effect that issuances and sales of Seadrill Common Shares, whether taking place before completion of Merger (subject to the limitations of the Merger Agreement) or after completion of the Merger, including issuances and sales in connection with capital markets transactions, acquisition transactions or other transactions, may have on the market value of Seadrill Common Shares. The issuance and sale of substantial amounts of Seadrill Common Shares could adversely affect the market value of Seadrill Common Shares.

#### **1.4 Risks relating to Seadrill Common Shares**

1.4.1 *The obligations of being a listed public company, including compliance with the reporting requirements of the Norwegian Securities Trading Act, the rules and regulations for Oslo Børs listed companies, the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder and the NYSE Listed Company Manual, require certain resources and have caused the Seadrill Group to incur additional costs.*

The Seadrill Group is subject to reporting and other requirements as a result of Seadrill's listing on the NYSE and Oslo Børs. As a result of these listings the Seadrill Group incurs costs in complying with applicable statutes, regulations and requirements related to being a listed public company, which also occupy additional time of Seadrill's board of directors and management, and the Seadrill Group is also subject to additional public and regulatory scrutiny.

1.4.2 *Following the Seadrill Group's emergence from bankruptcy, there is significant overlap between the Seadrill Group's lenders and shareholders, and these two groups may have conflicting interests and incentives.*

Following emergence from bankruptcy, and pursuant to the Plan, Seadrill issued the majority of Seadrill Common Shares to its creditors, and there remains significant overlap between the lenders under the Seadrill Group's credit facilities and Seadrill's shareholder base. The interests of the Seadrill Group's lenders and Seadrill's other shareholders may not necessarily be aligned, and they may therefore have different views on some or all matters. This may make it more difficult for Seadrill to obtain shareholder or lender consents in circumstances that would be beneficial to Seadrill's shareholders who are not lenders, or which would otherwise be beneficial for the Seadrill Group's business. Any failure to obtain such consents could materially harm the Seadrill Group's business.

1.4.3 *A delisting of Seadrill Common Shares from NYSE or Oslo Børs could negatively impact the Seadrill Group.*

A delisting of Seadrill Common Shares from NYSE or Oslo Børs could negatively impact the Seadrill Group because it could (i) reduce the liquidity and market price of Seadrill Common Shares, (ii) reduce the number of investors willing to hold or acquire Seadrill Common Shares, which could negatively impact the Seadrill Group's ability to raise equity financing, (iii) limit the Seadrill Group's ability to offer and sell freely tradable securities, including under U.S. State securities laws, thereby preventing the Seadrill Group from accessing the public capital markets, (iv) impair the Seadrill Group's ability to provide equity incentives to its employees, and (v) lead to a default under one or more of the Seadrill Group's credit facilities under certain circumstances.

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

The market price for Seadrill Common Shares may be volatile and may fluctuate significantly in response to a number of factors, most of which the Seadrill Group 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 and market outlook for the Seadrill Group's various geographical operating sectors and classes of rigs;
- fluctuations in the market value of the Seadrill Group's drilling units and the amount of debt the Seadrill Group can incur under certain covenants in current and future debt financing agreements;
- general and industry-specific economic conditions, including, for example, inflationary pressures, rising interest rates, and resulting fears of recession;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations;
- additions or departures of key members of management;
- any increased indebtedness the Seadrill Group incurs in the future;
- speculation or reports by the press or investment community with respect to Seadrill or the industry in general;
- announcements by the Seadrill Group 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, for example, the ongoing conflict between Russia and Ukraine, and any such conditions and local conditions in the markets in which the Seadrill Group operates.

These and other factors may lower the market price of Seadrill Common Shares, regardless of the Seadrill Group's actual operating performance. In the event of a drop in the market price of Seadrill Common Shares, investors could lose a substantial part or all of their investment in Seadrill Common 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 Seadrill Group was to become involved in securities litigation, the Seadrill Group 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 the operating results and thus the price for Seadrill Common Shares.

*1.4.5 The market price of Seadrill Common Shares has fluctuated widely and may fluctuate widely in the future.*

The market price of Seadrill Common Shares has fluctuated widely and may continue to do so as a result of many factors, such as actual or anticipated fluctuations in the Seadrill Group's operating results, the outcome of any consent or negotiations with the Seadrill Group's lenders under the Seadrill Group's secured credit facilities, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond the Seadrill Group's control. If an active trading market for Seadrill Common Shares does not continue, the price of Seadrill Common Shares may be more volatile and it may be more difficult and time consuming to complete a transaction in Seadrill Common Shares, which could have an adverse effect on the realized price of Seadrill Common Shares. In addition, an adverse development in the market price for Seadrill Common Shares could negatively affect the Seadrill Group's ability to issue new equity to fund its activities.

*1.4.6 The issuance of share-based awards may dilute investors' holding of Seadrill Common Shares.*

On 6 August 2022, Seadrill's board of directors approved a new management incentive plan (the "**Management Incentive Plan**") under which awards may be made to certain members of Seadrill's management and other leading employees. The Management Incentive Plan is designed to align the interests of eligible participants with those of Seadrill's shareholders by providing long-term incentive compensation opportunities tied to the participants' continued services to Seadrill and the performance of Seadrill and the Seadrill Common Shares. An aggregate of 5.5% of Seadrill Common Shares are reserved for issuance for grant to employees pursuant to awards to be made under the Management Incentive Plan in accordance with the Management Incentive Plan. To date, a total of 195,292 Time-Vested Restricted Stock Units ("**TRSUs**") and 360,476 Performance Restricted Stock Units ("**PRSUs**") pursuant to the Management Incentive Plan have been granted. Vested TRSUs and PRSUs will be settled and issued, at the discretion of Seadrill's board of directors' Joint Nomination and Remuneration Committee, in cash or, subject to receiving the approval of shareholders of Seadrill, Seadrill Common Shares. The exercise of equity awards, including any share options that Seadrill may grant in the future, could have an adverse effect on the market for Seadrill Common Shares, including the price that an investor could obtain for its Seadrill Common 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 management or employee incentive plans in the future.

*1.4.7 Substantial sales of or trading in Seadrill Common Shares could occur, which could cause the share price to be adversely affected.*

A limited number of shareholders own a substantial portion of Seadrill Common Shares. Pursuant to the Plan, on 22 February 2022, Seadrill entered into a bankruptcy registration rights agreement (the "**Bankruptcy Registration Rights Agreement**") with certain holders of Seadrill Common Shares and convertible notes ("**Holder**s"), which, among other things, grants the Holders demand and shelf registration rights as well as piggyback registration rights, subject to the limitations set forth in the bankruptcy registration rights agreement. Pursuant to their registration rights, Holders have the right to request in writing that Seadrill register for resale all or part of the Registrable Securities (as defined in the Bankruptcy Registration Rights Agreement) pursuant to an effective registration statement, subject to certain conditions. Additionally, as a condition to the closing of the Merger, Seadrill has agreed to execute the Merger Registration Rights Agreement (as defined below) in favor of the Consenting Members, the form of which was included as an exhibit to the Merger Agreement. The Merger Registration Rights Agreement will provide for customary demand and piggyback registration rights consistent with Seadrill's existing obligations under the Bankruptcy Registration Rights Agreement.

Sales of substantial amounts of Seadrill Common Shares in the public market, or the perception that such sales could occur, may adversely affect the market price of Seadrill Common Shares, making it more difficult for holders to sell their Seadrill Common 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 Seadrill Common Shares. The sale of significant amounts of Seadrill Common Shares, substantial trading in Seadrill Common Shares, hedging activities or the perception in the market that any of these activities will occur, may adversely affect the market price of Seadrill Common Shares. Sales of Seadrill Common Shares could also impair the Seadrill Group's ability to raise capital, should it wish to do so, which may cause the price for Seadrill Common Shares to decline. The Seadrill Group cannot predict what effect, if any, future sales of Seadrill Common Shares, or the availability of Seadrill Common Shares for future sales, will have on the market price for Seadrill Common Shares.

*1.4.8 Seadrill may pay little or no dividends on Seadrill Common Shares.*

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

In addition, since Seadrill is a holding company with no material assets other than the shares of its subsidiaries through which the Seadrill Group conducts its operations, Seadrill's ability to pay dividends will depend on its subsidiaries distributing to it their earnings and cash flows. Furthermore, the terms of the Seadrill Group's secured credit facilities prohibit or otherwise limit Seadrill's and certain of its subsidiaries' ability to pay dividends and distributions without consent of the requisite debt holders. The Seadrill Group suspended the payment of dividends in November 2014, and cannot predict when, or if, dividends will be paid in the future.



*1.4.9 U.S. tax authorities may treat Seadrill 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 PFIC (passive foreign investment company) 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 does not constitute "passive income". As discussed further below, U.S. shareholders of a PFIC are subject to certain adverse U.S. federal income tax consequences including a disadvantageous U.S. federal income tax regime with respect to 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 Seadrill's assets, including goodwill, and composition of Seadrill's income and assets, Seadrill 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 or in the foreseeable future. Seadrill's position is based on valuations and projections regarding its assets and income. While Seadrill believes these valuations and projections to be accurate, such valuations and projections may not continue to be accurate. Moreover, the determination as to whether Seadrill is a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and is not determinable until after the end of such taxable year. Further, Seadrill has not sought a ruling from the United States Internal Revenue Service, or IRS, on this matter, the IRS or a court could disagree with Seadrill's position. In addition, although Seadrill 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, it may not be able to avoid PFIC status in the future.

If the IRS were to find that Seadrill is or has been a PFIC for any taxable year, Seadrill's 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 Code (which election could itself have adverse consequences for such shareholders, as further discussed under Item 10- "Additional Information-E. Taxation" of the Seadrill's Annual Financial Statements), 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 Seadrill Common Shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of Seadrill Common Shares. In the event that Seadrill's shareholders face adverse U.S. federal income tax consequences as a result of investing in Seadrill Common Shares, this could adversely affect the Seadrill Group's ability to raise additional capital through the equity markets. See Item 10- "Additional Information-E. Taxation" of the Seadrill Annual Financial Statements for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if Seadrill is treated as a PFIC.

Investors are encouraged to consult their own tax advisers concerning the overall tax consequences of the ownership and disposition of Seadrill Common Shares arising in an investor's particular situation under U.S. federal, state, local or foreign law.

*1.4.10 Because Seadrill is a foreign corporation, a shareholder may not have the same rights that a shareholder in a U.S. corporation may have.*

Seadrill is incorporated under the laws of Bermuda, and substantially all of the Seadrill Group's assets are located outside of the United States. In addition, the majority of Seadrill's directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for a shareholder to effect service of process on these individuals in the United States or to enforce in the United States judgments obtained in U.S. courts against Seadrill or its directors and officers based on the civil liability provisions of applicable U.S. securities laws.

In addition, shareholders and investors should not assume that courts in the countries in which Seadrill and its subsidiaries are incorporated or where the Seadrill Group's assets are located (1) would enforce judgments of U.S. courts obtained in actions against Seadrill based upon the civil liability provisions of applicable U.S. securities laws or (2) would enforce, in original actions, liabilities against Seadrill based on those laws.

*1.4.11 Seadrill's Bye-Laws limit shareholders' ability to bring legal action against Seadrill's officers and directors.*

Seadrill's Bye-Laws contain a broad waiver by the shareholders of any claim or right of action, both individually and on behalf of Seadrill, against any of Seadrill'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 Seadrill's officers and directors unless the act or failure to act involves fraud or dishonesty.

*1.4.12 Seadrill is permitted to follow certain home country practices in relation to its corporate governance instead of certain NYSE rules, which may afford less protection for shareholders.*

As a foreign private issuer, Seadrill is permitted to adopt certain home country practices in relation to its corporate governance matters that differ significantly from the NYSE corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if Seadrill complied fully with corporate governance listing standards.

As an issuer whose shares are listed on the NYSE, Seadrill is subject to corporate governance listing standards of the NYSE. However, NYSE rules permit a foreign private issuer, like Seadrill, to follow the corporate governance practices of its home country. Certain corporate governance practices in Bermuda, which is Seadrill's home country, may differ significantly from NYSE corporate governance listing standards. Seadrill follows certain home country practices instead of the relevant NYSE rules. Therefore, Seadrill's shareholders may be afforded less protection than they otherwise would have under NYSE corporate governance listing standards applicable to U.S. domestic issuers.

*1.4.13 Investors with Seadrill Common Shares registered in a nominee account will need to exercise voting rights through their nominee.*

Beneficial owners of Seadrill Common Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) with the Depository Trust Company ("DTC") or the Norwegian Central Securities Depository (the "VPS") will not be able to exercise voting rights directly, and they will need to receive the voting materials and provide instructions through their nominee prior to the general meetings. Seadrill can provide no assurances that beneficial owners of Seadrill Common Shares will receive the notice of a general meeting in time to instruct their nominees accordingly or otherwise vote their Seadrill Common Shares in the manner desired by such beneficial owners.

## **1.5 Risks relating to Aquadrill**

*1.5.1 The success and growth of Aquadrill'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 and volatility.*

Aquadrill'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 Aquadrill'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 or willingness of OPEC, and other non-member nations, including Russia, to set and maintain levels of production and pricing;

- the decision of OPEC or other non-member nations to abandon production quotas and/or member-country quota compliance within OPEC agreements;
- the level of production in non-OPEC countries;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- export licensing requirements impacting the ability to export equipment to or from certain countries;
- 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;
- merger, acquisition and divestiture activity among oil and gas producers;
- the development and exploitation of alternative fuels and unconventional hydrocarbon production, including shale;
- worldwide economic and financial problems, including, for example, inflationary pressures and supply chain disruptions, fears of recession and the corresponding decline in the demand for oil and gas and, consequently, Aquadrill's services;
- the occurrence or threat of epidemic or pandemic diseases, such as COVID-19, or any governmental response to such occurrence or threat;
- 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 acts of terrorism in the United States, Europe or elsewhere, including, for example, the ongoing conflict between Russia and Ukraine.

Decreases in oil and gas prices for an extended period of time, or market expectations of potential decreases in these prices, have in the past been shown to negatively affect Aquadrill and could negatively affect its future performance. As an example of the volatility in oil prices, Brent fell to USD 9 per barrel in April 2020 before a recovery in oil and gas prices toward the end of 2020-early 2021 and continuing through part of 2022, during which time Brent rose above USD 120 per barrel, and fell to USD 82 per barrel as of 30 December 2022. However, there is no guarantee that the oil and gas price recovery will be sustained. Prices can continue to fluctuate and there may be longer periods of lower prices.

The supply of rigs in the market has, as a result of longer periods of significant fluctuations in oil and gas prices, continued to outweigh the demand. This trend may continue, and therefore have a damping effect on utilization levels and dayrates across all segments in 2023.

Continued periods of low demand can cause excess rig supply and intensify competition in Aquadrill's industry, which often results in drilling rigs, particularly older and less technologically advanced drilling rigs, being idle for long periods of time. Aquadrill cannot predict the future level of demand for drilling rigs or future conditions of the oil and gas industry with any degree of certainty. Any future decrease in exploration, development or production expenditures by oil and gas companies could further reduce Aquadrill's bareboat charter revenues and materially harm its business.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, which could reduce demand for Aquadrill's services and adversely affect its business, including:

- the availability and quality of competing offshore drilling units;
- rising interest rates and the availability of debt financing on reasonable terms;
- the level of costs for associated offshore oilfield and construction services;
- the availability of personnel for offshore drilling units;
- 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;
- regulatory restrictions on offshore drilling;
- inflationary pressures and resulting fears of recession; and
- supply chain disruptions.

The offshore drilling industry is highly competitive and fragmented and includes several large companies that compete in many of the markets Aquadrill serves, as well as numerous small companies that compete with it on a local basis. In the past several years, the pace of consolidation in Aquadrill's industry has increased, and may continue to increase, leading to the creation of a number of larger competitors that may have greater financial or operational resources than Aquadrill does. As a result, these competitors may be able to devote more resources to their efforts to secure new drilling contracts. Moreover, certain of Aquadrill's competitors have recently emerged from bankruptcy proceedings or have undertaken debt refinancing transactions, management changes or other strategic initiatives in an attempt to reduce operating costs to maintain their competitive position in the market, which could result in stronger or healthier balance sheets and, in turn, an improved ability to compete with Aquadrill.

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. Aquadrill'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 its drilling rigs, or expand into service areas where it operates.

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

*1.5.2 Historical downturns in activity in the oil and gas drilling industry have had an adverse impact on Aquadrill's business and operating results, and any future downturns or volatile market conditions are likely to adversely impact its business and operating results.*

The oil and gas drilling industry is cyclical. Although the industry has recovered some from its pandemic low in 2020, the extent and duration of this recovery is uncertain.

Aquadrill depends on other offshore drilling contractors, including the MSA Managers, to maintain, market and operate Aquadrill's vessels pursuant to the MSAs. If Aquadrill's MSA Managers are unable to secure contracts for Aquadrill's drilling units upon the expiration of their existing contracts, Aquadrill may 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 of 30 September 2022, Aquadrill had one "warm stacked" unit, which means the rig is kept operational and ready for redeployment, and maintains most of the MSA Manager's crew, and two "cold stacked" units, which means the rig is stored in a harbor, shipyard or a designated offshore area, and the MSA Manager's crew is reassigned to an active rig or dismissed. Without new drilling contracts, bareboat charters or additional financing being available when needed or available only on unfavorable terms, Aquadrill will be unable to meet its obligations as they come due or it may be unable to enhance its existing business, complete additional drilling unit acquisitions or otherwise take advantage of business opportunities as they arise.

During volatile market conditions or expected downturns, the MSA Managers or their customers may also seek to cancel or renegotiate their contracts for various reasons, including adverse conditions, resulting in lower dayrates or bareboat charter revenues. Aquadrill's MSA Managers' inability, or the inability of their customers, to perform under their contractual obligations may have a material adverse effect on Aquadrill's financial position, results of operations and cash flows.

From time to time, Aquadrill is approached by potential buyers for the outright purchase of some of its drilling units, businesses or other fixed assets. Aquadrill 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 net income, and Aquadrill 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.

Although the market for offshore drilling units appears to be in recovery, the nature or extent of this recovery is unknown. There can be no assurance that demand for drilling rigs will not decline in future periods. Any decline in demand for drilling rigs would adversely affect Aquadrill's financial position, operating results and cash flows.

*1.5.3 The MSA Managers or their 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.*

The MSA Managers or some of their customers may seek to terminate their agreements. Some of Aquadrill's MSA Managers' customers have the right to terminate their drilling contracts without cause upon the payment of an early termination fee, which the MSA Managers are required to pay over to Aquadrill. While this early termination fee is intended to compensate Aquadrill for lost revenues (less operating expenses) for the remaining contract period, in some cases, such payments may not fully compensate Aquadrill for the loss of the drilling contract.

Under certain circumstances Aquadrill's MSA Managers' 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 its control. In addition, national oil company customers may have special termination rights by law. During periods of challenging market conditions, Aquadrill may be subject to an increased risk of its MSA Managers' customers seeking to repudiate their contracts, including through claims of non-performance.

The MSA Managers or their customers may seek to renegotiate their contracts using various techniques, including threatening breaches of contract and applying commercial pressure, resulting in lower dayrates, increased reimbursement or indemnity obligations, decreased revenues for Aquadrill or the cancellation of contracts with or without any applicable early termination payments.

Reduced dayrates in Aquadrill's MSA Managers' customer contracts or revenues under bareboat charters and cancellation of drilling contracts (with or without early termination payments), MSAs or bareboat charters may adversely affect Aquadrill's performance and lead to reduced revenues from operations.

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

As of 30 September 2022, Aquadrill's contract backlog was approximately USD 382.2 million.

The contract backlog described herein is only an estimate and is based on the gross revenues to be billed to the ultimate third-party customer by Aquadrill's MSA Managers. The actual amount of revenues earned and the actual periods during which revenues are earned may be different from the contract backlog projections due to various factors, including bareboat charter agreements

with Aquadrill's MSA Managers that are accounted for as leases, shipyard and maintenance projects, downtime and other events within or beyond Aquadrill's control. In addition, Aquadrill, the MSA Managers or the MSA Managers' customers may seek to cancel or renegotiate their contracts for various reasons, including adverse conditions, resulting in lower dayrates, increased reimbursement or indemnity obligations or decreased revenues for Aquadrill.

Aquadrill's inability, or the inability of its MSA Managers' customers, to perform under their contractual obligations may have a material adverse effect on its financial position, results of operations and cash flows.

*1.5.5 Aquadrill's MSA Managers may not be able to renew or obtain new and favorable contracts for Aquadrill's drilling units whose contracts have expired or been terminated.*

During the previous period of high utilization and high dayrates, which Aquadrill 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 currently under construction have not been contracted for future work, and a number of units in the existing worldwide fleet are currently off-contract.

As of 30 September 2022, Aquadrill had five drilling units on contracts with MSA Managers expiring between the fourth quarter of 2022 and the first quarter of 2024. Aquadrill's MSA Managers' ability to renew these contracts or obtain new contracts will depend on their 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 may intensify price competition as scheduled delivery dates occur and contracts terminate without renewal, reducing dayrates as the active fleet grows.

In addition, as Aquadrill's fleet of drilling units becomes older, any competitive advantage of having a modern fleet may be reduced to the extent that Aquadrill is unable to acquire newer units or enter into newbuilding contracts as a result of financial constraints. For as long as there is an oversupply of drilling rigs, it may be more difficult for older rigs to secure extensions or new contract awards.

If Aquadrill's MSA Managers are unable to secure contracts for Aquadrill's drilling units, Aquadrill may 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 indicated above, as of 30 September 2022, Aquadrill had one "warm stacked" unit, which means the rig is kept operational and ready for redeployment, and the MSA Manager maintains most of its crew, and two "cold stacked" units, which means the rig is stored in a harbor, shipyard or a designated offshore area, and the MSA Manager's crew is reassigned to an active rig or dismissed.

If Aquadrill's MSA Managers are 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, Aquadrill's bareboat charter revenues and profitability could be adversely affected. Aquadrill may also be required to accept more risk in areas other than price for its MSA Managers to secure a contract and it may be unable to push this risk to other parties 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 Aquadrill being unable to meet its liabilities in the event of a catastrophic event on one of its rigs.

*1.5.6 The market value of Aquadrill's drilling units may further decrease.*

If the offshore contract drilling industry suffers adverse developments in the future, the fair market value of Aquadrill's drilling units may decline. The fair market value of the drilling units that Aquadrill currently 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;
- governmental or other regulations; and
- technological advances.

If drilling unit values fall significantly, Aquadrill may have to record an impairment adjustment in its financial statements, which could adversely affect its financial results and condition.

*1.5.7 Aquadrill's business and operations involve numerous operating hazards, and in the current market it or its MSA Managers are increasingly required to take additional contractual risk in customer contracts, which may not be adequately covered by insurance.*

Aquadrill'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, cratering, fires, explosions and pollution. Contract drilling and well servicing requires the use of heavy equipment and exposure to hazardous conditions, which may subject Aquadrill or its MSA Managers to liability claims by employees, customers and/or third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental or natural resource damage, claims by third parties or customers, investigations and other proceedings by regulatory authorities which may involve fines and other sanctions and/or suspension of operations. Aquadrill'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 (which may be more acute in certain areas where Aquadrill operates) and marine life infestations. Operations may also be suspended because of machinery breakdowns, adverse weather conditions, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. Aquadrill's MSA Managers customarily provide contract indemnity to their customers for claims relating to damage to or loss of Aquadrill's equipment, including rigs, and claims relating to personal injury or loss of life of their personnel (for which Aquadrill in most circumstances is ultimately responsible).

Damage to the environment or natural resources could also result from Aquadrill's or the MSA Managers' operations, particularly through spillage of fuel, lubricants or other chemicals and substances used in drilling operations, or extensive uncontrolled fires. Aquadrill or the MSA Managers may also be subject to property, environmental, natural resource, personal injury, and other legal claims and/or injunctions by private parties, including oil and gas companies, as well as administrative, civil, and/or criminal penalties or injunctions by government authorities.

Aquadrill's or the MSA Managers' insurance policies and contractual rights to indemnity may not adequately cover losses, and they do not have insurance coverage or rights to indemnity for all risks, and in some circumstances, the MSA Managers may be entitled to indemnification or reimbursement from Aquadrill, or from customers under circumstances where such amounts are not passed on to Aquadrill. Consistent with standard industry practice, Aquadrill's MSA Managers' customers generally assume, and indemnify against certain risks, for example, well control and subsurface risks under dayrate contracts, and the MSA Manager generally assumes, and indemnifies against, above surface risks (including spills and other events occurring on its rigs, for which Aquadrill in most circumstances is ultimately responsible). Subsurface risks indemnified by customers generally include risks associated with the loss of control of a well, such as blowout or cratering or uncontrolled well flow, the cost to regain control of or re-drill the well and associated pollution. However, there can be no assurances that these customers and the MSA Managers will be willing or financially able to indemnify the MSA Managers or Aquadrill, respectively, against all risks for which they are responsible. The terms of Aquadrill's MSA Managers' drilling contracts and related bareboat charters vary based on negotiation, applicable local laws and

regulations and other factors, and in some cases, customers or the MSA Managers may seek to cap indemnities or narrow the scope of their coverage, reducing the MSA Managers' or Aquadrill's level of contractual protection and in turn exposing Aquadrill to additional risks against which it may not be adequately insured. In addition, even if an MSA Manager receives or is entitled to indemnification or reimbursement from a customer, there may be circumstances where the MSA Manager is not required to indemnify or reimburse Aquadrill.

In addition, a court, arbitrator, or other dispute resolution body may decide that certain indemnities or other terms in Aquadrill's or its MSA Managers' 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 MSA Managers' insurance or an enforceable or recoverable indemnity from an MSA Manager customer or an MSA Manager, the occurrence could adversely affect Aquadrill's performance.

The amount recoverable, if any, 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, Aquadrill retains the risk through self-insurance for any losses in excess of these limits. Any such lack of reimbursement or losses in excess of such limits may cause Aquadrill to incur substantial costs.

Aquadrill 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.

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

*1.5.8 Aquadrill relies on a small number of customers and Aquadrill's operating results could be materially adversely affected if any of those major customers fail to compensate the MSA Managers for their services, if an MSA Manager loses a significant customer contract, or if an MSA Manager fails to compensate Aquadrill under its agreements with the MSA Manager.*

Aquadrill is subject to the risks associated with having a limited number of MSA Managers and ultimate customers. Aquadrill currently derives the majority of its revenues and cash flow from a small number of MSAs and customers of its MSA Managers. For the nine-month period ended 30 September 2022, Equinor, BP, Premier/Repsol and PTTEP accounted for 30%, 27%, 22% and 21% of Aquadrill's total revenues from Aquadrill's MSA Managers, respectively. In addition, mergers and acquisitions, or other forms of consolidation among oil and gas exploration and production companies will further reduce the number of MSA Managers and available customers, which would increase the ability of MSA Managers and potential customers to achieve pricing terms favorable to them. Aquadrill's results of operations could be materially adversely affected if any of the MSA Managers or their major customers fail to compensate Aquadrill or the MSA Managers, respectively, or cancel or re-negotiate its contracts.

Aquadrill is subject to risk of loss resulting from non-payment or non-performance by the MSA Managers or their customers and certain other third parties (including third parties providing services under various services agreements). Some of these customers and other parties may be highly leveraged and subject to their own operating and regulatory risks. If any MSA Manager or any key customers or other parties default on their obligations to Aquadrill or Aquadrill's MSA Managers, Aquadrill will bear the ultimate loss, and its 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 Aquadrill's financial position, results of operations and cash flows.

*1.5.9 Some of Aquadrill's MSA Managers' drilling contracts contain fixed terms and dayrates, and consequently Aquadrill may not fully recoup its costs in the event of a rise in expenses, including reactivation, operating and maintenance costs.*

Aquadrill's MSA Managers incur operating costs for units contracted through bareboat charter agreements. These 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, and Aquadrill is obligated to reimburse its MSA Managers for the costs they incur. A significant portion of these operating costs may be fixed over the short term. Some of Aquadrill's MSA Managers' contracts have dayrates that are fixed over the contract term. In order to mitigate the effects of inflation on revenues from term contracts, Aquadrill's MSA Managers seek to include escalation provisions in any long-term contracts, and these increases will pass to the benefit of Aquadrill through the bareboat charter



agreements, less any variable fees paid to the MSA Managers. There can be no assurance that Aquadrill or its MSA Managers will be successful in including these provisions in long-term contracts in the future. These provisions allow Aquadrill's MSA Managers 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, or relate to the indices at all. 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 received as a result of such adjustments may differ from Aquadrill's actual reimbursement obligations for the MSA Managers' cost increases, which could adversely affect Aquadrill's financial performance. Some of Aquadrill's MSA Managers' 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 Aquadrill's financial performance. Shorter-term contracts normally do not contain escalation provisions. In addition, Aquadrill's MSA Managers' contracts typically contain provisions for either fixed or dayrate compensation during mobilization. These rates may not fully cover Aquadrill's MSA Managers' costs of mobilization that Aquadrill is obligated to reimburse, and mobilization may be delayed, increasing Aquadrill's costs, without additional compensation from the customer that would pass to the benefit of Aquadrill, for reasons beyond the MSA Managers' control.

In connection with new assignments, Aquadrill or its MSA Managers might incur expenses relating to preparation for operations under a new contract. Expenses may vary based on a number of factors including the scope and length of such required preparations, whether the relevant unit is idle or stacked and reactivation is required and the duration of the contractual period over which such expenditures are amortized.

Equipment maintenance costs fluctuate depending upon the type of activity that the unit is performing and the age and condition of the equipment, as well as the applicable environmental, safety and maritime regulations and standards. The MSA Managers' operating expenses and maintenance costs for which Aquadrill is responsible depend on a variety of factors, including crew costs, provisions, equipment, insurance, maintenance and repairs and shipyard costs, many of which are beyond the MSA Managers' control.

In situations where Aquadrill's drilling units incur idle time between assignments, the opportunity to reduce the size of its MSA Managers' 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, and Aquadrill is obligated to reimburse its MSA Managers for these costs. Should units be idle for a longer period, Aquadrill will seek to have their MSA Managers 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 Aquadrill's MSA Managers will be successful in reducing these 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 Aquadrill's revenue from operations through its bareboat charter agreements.

*1.5.10 Inflation has adversely affected, and may in the future adversely affect, Aquadrill's operating results.*

Inflationary factors such as increases in labor costs, material costs and overhead costs incurred by the MSA Managers that Aquadrill is obligated to reimburse have adversely affected, and may in the future adversely affect, Aquadrill's operating results. Inflationary pressures may also increase other costs to operate or reactivate Aquadrill's drilling rigs. Aquadrill's MSA Managers' contracts for Aquadrill's drilling rigs generally provide for the payment of an agreed dayrate per rig operating day. As a result, Aquadrill may not be able to fully recover increased costs due to inflation from its customers. Continuing or worsening inflation could significantly increase Aquadrill's operating expenses and capital expenditures, which could in turn have a material adverse effect on its business, financial condition, results of operations or cash flows.

*1.5.11 Aquadrill's MSA Managers rely on third-party suppliers and subcontractors to provide or maintain parts, crew and equipment, as applicable, for projects on Aquadrill-managed rigs and operations may be adversely affected by the sub-standard performance or non-performance of those suppliers or third-party subcontractors due to production disruptions, quality and*

*sourcing issues, labor availability, price increases or consolidation of suppliers and sub-contractors as well as equipment breakdowns.*

Aquadrill's reliance on its MSA Managers' third-party suppliers, manufacturers and service providers to secure equipment and crew used in its drilling operations exposes it to volatility in the quality, price and availability of such items. Certain specialized parts, crew and equipment used in the operation of its units may be available only from a single or a small number of suppliers. A disruption in the deliveries from such third-party suppliers, capacity constraints, production disruptions, price increases, defects or quality-control issues, recalls or other decrease in the availability or servicing of parts, labor and equipment could adversely affect Aquadrill's MSA Managers' ability to meet their commitments towards the MSA Managers' customers, adversely impact operations and bareboat charter revenues by resulting in uncompensated downtime, reduced day rates under the relevant MSA Manager's drilling contracts, cancellation or termination of contracts, or increased operating costs. In addition, consolidation of suppliers may limit its ability to obtain supplies and services when needed at an acceptable cost or at all.

Equipment deficiencies or breakdowns, whether due to faulty parts, quality control issues or inadequate installation, may result in increased maintenance costs and could adversely affect Aquadrill's MSA Managers' operations and Aquadrill's bareboat charter revenues by resulting in rig downtime or suspension of operations. Such issues could have a negative effect on its business, financial condition, and results of operations.

Aquadrill's MSA Managers engage third-party subcontractors to perform some parts of projects for Aquadrill's units and in respect of new business models a majority of the services under a project may be subcontracted to third-party subcontractors. Subcontractors are used to perform certain services and to provide certain input in areas where Aquadrill's MSA Managers do not have requisite expertise. The subcontracting of work exposes Aquadrill to risks associated with planning interface non-performance, delayed performance or substandard performance by its MSA Managers' subcontractors. Any inability to hire qualified subcontractors could hinder successful completion of a project. Further, Aquadrill's MSA Managers' employees may not have the requisite skills to be able to monitor or control the performance of these subcontractors. Aquadrill may be responsible for losses on contracts if the amounts its MSA Managers are required to pay for subcontractor services exceed original estimates. Remedial or mitigating actions, such as requiring contractual obligations on subcontractors that are similar to those that Aquadrill's MSA Managers have with their customers, and requesting parent guarantees to cover nonperformance by subcontractors, may not be available or sufficient to mitigate the risks associated with subcontractors. Such issues could have a negative effect on Aquadrill's business, financial condition, and results of operations.

Further, due to an increasing number of companies in the oil and gas drilling industry entering into Chapter 11 proceedings, or similar bankruptcy proceedings, there have been continued challenges with suppliers. Some suppliers have refused to support drilling companies due to the financial impact that multiple drilling companies have encountered with the Chapter 11 process. Drilling companies have faced suppliers reluctant to enter into agreements, more upfront demand for payment, increased costs as suppliers look to recover losses that they have incurred during past few years and their sub-tier suppliers seeing raw material cost escalations that are being passed up through the supply chain. There has been lower stocking and inventory levels with Aquadrill's MSA Managers' core suppliers due to market uncertainty over the past 18 months, and many companies, having made lay-offs during the pandemic, are now short staffed and struggling to fill those positions with experienced workers.

*1.5.12 Supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases could increase Aquadrill's obligations to reimburse its MSA Managers' operating costs, decrease its bareboat charter revenues and adversely impact its operations.*

Aquadrill's MSA Managers' reliance on third-party suppliers, manufacturers and service providers to secure equipment used in its drilling operations exposes Aquadrill to volatility in the quality, price and availability of such items. Certain specialized parts and equipment Aquadrill's MSA Managers use in their operations may be available only from a single or small number of suppliers. During periods of reduced demand, many of these third-party suppliers reduced their inventories of parts and equipment and, in some cases, reduced their production capacity. Moreover, the global supply chain has been disrupted by the COVID-19 pandemic, resulting in shortages of, and increased pricing pressures on, among other things, certain raw materials and labor. If the market for Aquadrill's services improves and it seeks to reactivate warm or cold stacked rigs, upgrade its working rigs or purchase additional rigs, these reductions and global supply chain constraints could make it more difficult for Aquadrill or its MSA Managers to find equipment and parts for Aquadrill's rigs. A disruption or delay in the deliveries from such third-party suppliers, capacity

constraints, production disruptions, price increases (including those related to inflation and supply chain disruptions), defects or quality-control issues, recalls or other decreased availability or servicing of parts, labor and equipment could adversely affect Aquadrill's ability to reactivate rigs, upgrade working rigs, purchase additional rigs or meet Aquadrill or its MSA Managers' commitments to customers on a timely basis, adversely impact its MSA Managers' operations and revenues by resulting in uncompensated downtime, reduced dayrates, the incurrence of liquidated damages or other penalties or the cancellation or termination of contracts, or increase operating costs which will reduce the bareboat charter revenues earned by Aquadrill.

*1.5.13 Aquadrill or its MSA Managers 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 Aquadrill's drilling units is subject to certain governmental approvals, the number and prerequisites of which cannot be determined until it identifies the jurisdictions in which it will operate once contracts for the drilling units are secured. Depending on the jurisdiction, these governmental approvals may involve public hearings and costly undertakings on Aquadrill's or its MSA Managers' part. Aquadrill may not obtain such approvals or such approvals may not be obtained in a timely manner. If Aquadrill fails to timely secure the necessary approvals or permits for its units, its MSA Managers' customers may have the right to terminate or seek to renegotiate their drilling contracts to Aquadrill's detriment.

Every offshore drilling unit is a registered marine vessel and must be "classed" by a classification society. 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 or coastal authority, the classification society will undertake these surveys on application or by official order, acting on behalf of the authorities concerned. Aquadrill's drilling units are certified as being "in class" by the ABS, DNV GL and the relevant national authorities in the countries in which Aquadrill's drilling units operate. If any drilling unit loses its flag, does not maintain its class, fails any periodic survey or special survey and/or fails to satisfy any laws of the country of operation, 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 Aquadrill's results of operations.

*1.5.14 Aquadrill's drilling rig fleet is concentrated in drilling units and drillships, which leaves it vulnerable to risks related to lack of diversification.*

The offshore contract drilling industry is generally divided into two broad markets: deepwater and shallow water drilling. These broad markets are generally divided into smaller sub-markets based upon various factors, including the type of drilling rig and drilling environment. The primary types of drilling rigs include jack-up rigs, semisubmersible rigs, drillships, platform rigs, barge rigs and submersible rigs. While all drilling rigs are affected by general economic and industry conditions, each type of drilling rig can be affected differently by changes in demand. For the nine months ended 30 September 2022, Aquadrill owned eight drilling units, including four drillships, one semisubmersible rig and three tender rigs.

Aquadrill's drilling rig fleet is concentrated in drilling units and drillships. If the market for drilling units and drillships should decline relative to the markets for other drilling rig types, such as jack-ups, Aquadrill's operating results could be more adversely affected relative to its competitors with drilling fleets that are less concentrated in drilling units and drillships.

*1.5.15 The international nature of Aquadrill's operations involves additional risks including foreign government intervention in relevant markets.*

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

- terrorist acts, armed hostilities, war and civil disturbances, including, for example, the ongoing conflict between Russia and Ukraine;
- acts of piracy, which have historically affected ocean-going vessels;
- abduction, kidnapping and hostage situations;

- significant governmental influence over many aspects of local economies;
- the seizure, nationalization or expropriation of property or equipment;
- absence of laws or uncertainty of outcome in foreign court proceedings;
- the repudiation, nullification, modification or renegotiation of contracts;
- lack of cooperation with Aquadrill's due diligence or compliance practices;
- 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., EU and other foreign sanctions or trade embargoes;
- anti-boycott regulations;
- compliance with various jurisdictional regulatory or financial requirements;
- compliance with and changes in taxation, including any resulting tax disputes;
- interacting and contracting with government-controlled organizations;
- other forms of government regulation and economic conditions that are beyond Aquadrill's control;
- legal and economic systems that are not as mature or predictable as those in more developed countries, which may lead to greater uncertainty in legal and economic matters; and
- governmental corruption.

In addition, international contract drilling operations are subject to various laws and regulations of the countries in which Aquadrill 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;
- customs and import regulations;
- immigration, visa and work permit regulations;

- 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 Aquadrill's or its MSA Managers' ability to compete in those regions. It is difficult to predict what governmental 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 Aquadrill's or its MSA Managers' ability to compete. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject Aquadrill or its MSA Managers to criminal sanctions or civil remedies, including fines, the denial of export privileges, injunctions or seizures of assets.

Brexit occurred on 31 January 2020, consistent with the terms of the EU-UK Withdrawal Agreement, with a transition period that ended on 31 December 2020. On 1 January 2021, the U.K. left the EU Single Market and Customs Union as well as all EU policies and international agreements. As a result, the free movement of persons, goods, services and capital between the U.K. and the EU ended, and the EU and the U.K. formed two separate markets and two distinct regulatory and legal spaces. A trade agreement between the U.K. and the EU, which formally entered into force on 1 May 2021, offers U.K. and EU companies preferential access to each other's markets, ensuring imported goods will be free of tariffs and quotas (subject to rules of origin requirements). Uncertainty exists regarding the ultimate impact of this trade agreement, as well as the extent of possible financial, trade, regulatory and legal implications of Brexit, also in light of the U.K.'s Retained EU Law Bill, which proposes to repeal or replace all EU-derived legislation by 31 December 2023. Brexit also contributes to global political and economic uncertainty, which may cause, among other consequences, volatility in exchange rates and interest rates, and changes in regulations. Aquadrill through its MSA Managers provides contract drilling services to the international oil and gas industry and its fleet operates globally across multiple locations. Based on Aquadrill's global operating model and the versatility and marketability of its fleet, to date Aquadrill has not seen the impact of Brexit to be significant to Aquadrill.

In addition, the offshore drilling industry is a global market requiring flexibility for rigs, depending on their technical capability, to relocate and operate in various environments, moving from one area to another. The mobilization of rigs is expensive and time-consuming and can be impacted by several factors including, but not limited to, governmental regulation and customs practices, availability of tugs and tow vessels, weather, currents, political instability, civil unrest, and military actions, such as the conflict between Russia and Ukraine, and rigs may as a result become stranded. Some jurisdictions enforce strict technical requirements on the rigs requiring substantial physical modification to the rigs before they can be utilized. Such modifications may require significant capital expenditures for which Aquadrill is responsible, and as a result, may limit the use of the rigs in those jurisdictions in the future. In addition, mobilization carries the risk of damage to the rig. Failure to mobilize a rig in accordance with the deadlines set by a specific customer contract could result in a loss of compensation, liquidated damages or the cancellation or termination of the contract and a reduction in bareboat charter revenues. In some cases, Aquadrill or its MSA Managers may not be paid for the time that a rig is out of service during mobilization. In addition, in the hope of securing future contracts, Aquadrill may choose to mobilize a rig to another geographic market without a customer contract in place. If no customer contracts are obtained, Aquadrill would be required to absorb these costs. Mobilization and relocating activities could therefore potentially materially adversely affect Aquadrill's business, financial condition, and results of operations.

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

Aquadrill'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 it operates.

Accordingly, Aquadrill 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, from time to time, governing bodies have put in place measures, and may in the future propose and adopt measures, that materially limit or prohibit offshore drilling in certain areas. If legislative, regulatory or other governmental action is taken that restricts or prohibits offshore drilling in Aquadrill's or its

MSA Managers' current or anticipated future areas of operation, Aquadrill could be materially and adversely affected. Given the long-term trend towards increasing regulation, Aquadrill may be required to make or reimburse the MSA Managers for significant capital expenditures or operational changes to comply with governmental laws and regulations and reimbursement obligations. It is also possible that these laws and regulations may, in the future, add significantly to Aquadrill'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, re-export and transfer (in country) 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 Aquadrill's or its MSA Managers' operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside Aquadrill's or its MSA Managers' 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.

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 Aquadrill'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 Aquadrill's business, results of operations or financial condition. Future earnings may be negatively affected by compliance with any such new legislation or regulations.

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

Aquadrill's and its MSA Managers' operations are subject to numerous international, national, state and local laws and regulations, treaties and conventions in force in international waters and the jurisdictions in which Aquadrill's drilling units operate or are registered, which can significantly affect the ownership and operation of its drilling units. These requirements include, but are not limited to the conventions under the auspices of the IMO, MARPOL, including the CLC, the Bunker Convention, SOLAS, the ISM Code, the BWM Convention, EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations, the OPA, requirements of the USCG, the EPA, CERCLA, MTSA, OCSLA, and certain regulations of the EU. 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 life of Aquadrill's drilling units. These costs could have a material adverse effect on Aquadrill'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 its or the MSA Managers' operations. Because such conventions, laws and regulations are often revised, Aquadrill cannot predict the ultimate cost of complying with them or the impact thereof on the resale prices or useful lives of its rigs. Additional conventions, laws and regulations may be adopted which could limit Aquadrill's or its MSA Managers' ability to do business or increase the cost of its doing business and which may materially adversely affect Aquadrill's operations.

Certain environmental laws impose strict, joint and several liability for the remediation of and damages attributable to spills and releases of oil and hazardous substances, which could subject Aquadrill or its MSA Managers to liability without regard to whether it 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 Aquadrill or its MSA Managers are deemed a responsible party could result in Aquadrill incurring or being responsible for 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 its business, financial

condition, results of operations and cash flows. Further increased regulation of the shipping industry or modifications to statutory liability schemes could expose Aquadrill to further potential financial risk in the event of any such oil or chemical spill.

Aquadrill or the MSA Managers and, in certain circumstances, the MSA Managers' customers, are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to their operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although Aquadrill or its MSA Managers have arranged insurance to cover certain environmental risks, such insurance is subject to exclusions and other limits, and 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 Aquadrill's business, results of operations, cash flows and financial condition. Moreover, the insurance coverage Aquadrill or its MSA Managers currently hold may not be available in the future, or they may not obtain certain insurance coverage. Furthermore, insurance costs may increase in the event of ongoing patterns of adverse changes in weather or climate. Even if insurance is available and Aquadrill or its MSA Managers have obtained the coverage, it may not be adequate to cover its liabilities, may not be available on satisfactory terms and/or subject to high premiums, or its 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 Aquadrill's business, results of operations and financial condition.

Aquadrill's drilling units could cause the release of oil or hazardous substances. Any releases may be large in quantity, above its permitted limits or occur in protected or sensitive areas where environmental groups or governmental authorities have heightened or special interests. Any releases of oil or hazardous substances could result in fines and other costs to Aquadrill or for which Aquadrill is obligated to reimburse its MSA Managers, such as costs to upgrade its drilling rigs, clean up the releases and comply with more stringent requirements in its discharge permits. Moreover, these releases may expose Aquadrill or its MSA Managers to private litigation or result in its customers or governmental authorities suspending or terminating its operations in the affected area(s), which could have a material adverse effect on Aquadrill's business, results of operations and financial condition.

If Aquadrill or its MSA Managers are able to obtain from their counterparties some degree of contractual indemnification against pollution and environmental damages in its contracts, such indemnification may not be enforceable in all instances or the counterparty may not be financially able to comply with its indemnity obligations in all cases, and such counterparty may not be able to obtain such indemnification agreements in the future. In addition, a court may decide that certain indemnities in its current or future contracts are not enforceable.

*1.5.18 Any violation of anti-bribery or anti-corruption laws, including the Foreign Corrupt Practices Act, the UK Bribery Act, the Bermuda Bribery Act 2016 or similar laws and regulations could result in significant expenses, divert management attention, and otherwise have a negative impact on Aquadrill.*

Aquadrill operates in countries known to have a reputation for corruption. Aquadrill is subject to the risk that it, its affiliated entities or their respective officers, directors, employees and agents may take action determined to be in violation of such anti-corruption laws, including the FCPA, the UK Bribery Act, the Bermuda Bribery Act 2016 or other ABC Legislation and similar laws in other countries. Any violation of the FCPA, UK Bribery Act, the ABC Legislation or other applicable anti-corruption laws could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might adversely affect Aquadrill's business, financial condition and results of operations. In addition, actual or alleged violations could damage Aquadrill's reputation and ability to do business. Further, detecting, investigating and resolving actual or alleged violations is expensive and can consume significant time and attention of Aquadrill's senior management.

*1.5.19 If Aquadrill or its business partners do not comply with ethical business practices or with applicable laws and regulations, Aquadrill's reputation, business, and results of operations could be harmed.*

Aquadrill is subject to a number of modern slavery, human trafficking and forced labor reporting, training and due diligence laws in various jurisdictions and expect additional statutory regimes to combat these crimes to be enacted in the future. If Aquadrill or its business partners fail to comply with applicable laws, regulations, safety codes, employment practices or human rights standards, its reputation and image could be harmed, and it could be exposed to litigation. Compliance with laws, such as the U.K.'s Modern Slavery Act 2015 and similar legislation, could increase costs of operations and reduce profits.

1.5.20 *If Aquadrill'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, the United Kingdom, the European Union or other governments, its reputation and the market for its common units could be adversely affected.*

The U.S., the U.K., the EU and other governments impose economic sanctions against certain countries, persons and other entities that restrict or prohibit transactions involving such countries, persons and entities. U.S. sanctions in particular are targeted against countries or certain economic sectors of such countries (such as Russia, Venezuela, Iran and others) that are heavily involved in the petroleum and petrochemical industries, which includes drilling activities. Aquadrill believes that it is in compliance with all current applicable economic sanctions and embargo laws and regulations, and intends to maintain such compliance, as non-compliance with such regulations could impact its results of operations or financial condition.

From time to time, Aquadrill's MSA Managers may enter into drilling contracts with countries or government-controlled entities that are subject to sanctions, export restrictions, 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 Aquadrill'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 Aquadrill's reputation and the market for its common units.

Certain parties with whom Aquadrill's MSA Managers have entered into contracts may be, or may be affiliated with persons or entities that are, 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 between Russia and Ukraine from 2014 through the present, or malicious cyber-enabled activities. If Aquadrill determines that such sanctions require its MSA Managers to terminate existing contracts or if Aquadrill's MSA Managers are found to be in violation of such applicable sanctions, Aquadrill's results of operations may be adversely affected or it may suffer reputational harm.

As stated above, Aquadrill believes that it is in compliance with all applicable economic sanctions and embargo laws and regulations, and intends to maintain such compliance. However, there can be no assurance that it will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Rapid changes in the scope of global sanctions may also make it more difficult for Aquadrill to remain in compliance. Aquadrill's MSA Managers' drilling contracts may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve Aquadrill, or its drilling rigs, and those violations could in turn negatively affect its reputation.

1.5.21 *Economic downturns have had, and in the future could have, a material adverse effect on Aquadrill's bareboat charter revenue, profitability and financial position.*

Aquadrill depends on its MSA Managers' customers' willingness and ability to fund operating and capital expenditures to explore, develop and produce oil and gas, and to purchase drilling services 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 has recently faced and is currently facing a number of challenges. These include, for example, inflation, volatile energy prices, geopolitical instability and conflicts, such as the ongoing conflict between Russia and Ukraine, rising interest rates, irregular functioning of global manufacturing and supply chains (particularly in the segments of engineering and manufacturing of components for the oil and gas industry), irregular volatility in exchange rates, the impact of climate change and extreme weather events, the impact of international trade disputes, labor shortages and the COVID-19 pandemic. Adverse developments in the global economic outlook, or market perceptions concerning these issues, could reduce the overall demand for oil and natural gas and for Aquadrill's services, affect the costs to Aquadrill of providing those services, and thereby affect its financial position, results of operations and cash available for distribution.

Negative developments in worldwide financial and economic conditions, including, for example, inflation pressures, volatile energy prices, rising interest rates, supply chain disruptions, and resulting fears of recession, could further cause Aquadrill's ability to access the capital markets to be severely restricted at a time when it 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 the MSA Managers or their customers, causing them to fail to meet their obligations to Aquadrill or the MSA Managers for which Aquadrill is ultimately liable.

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 Aquadrill's MSA Managers' services. Such changes could adversely affect Aquadrill's results of operations and cash flows beyond what might be offset by the simultaneous impact of possibly higher oil and gas prices.

Aquadrill's business is capital intensive and, to the extent it does not generate sufficient cash from operations, Aquadrill may need to raise additional funds through public or private debt or equity offerings to fund its capital expenditures. Aquadrill's ability to access the capital markets may be limited by its 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 its control, including, for example, inflationary pressures, volatile energy prices, rising interest rates, supply chain disruptions, and resulting fears of recession.

Any reductions in drilling activity by Aquadrill's MSA Managers' customers may not be uniform across different geographic regions. Locations where costs of drilling and production are relatively higher, such as harsh environment 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.

*1.5.22 Failure of Aquadrill's MSA Managers to obtain or retain highly skilled personnel, and to ensure they have the correct visas and permits to work in the locations in which they are required, could adversely affect Aquadrill's operations.*

Aquadrill requires its MSA Managers to obtain highly skilled personnel in the right locations to operate and provide technical services and support for Aquadrill's business. Competition for skilled and other labor required for its 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. In some regions, such as West 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 Aquadrill's costs. These factors could further create and intensify upward pressure on wages and make it more difficult for Aquadrill's MSA Managers to staff and service its rigs. Such developments could adversely affect its financial results and cash flow.

Furthermore, as a result of any increased competition for qualified personnel, Aquadrill's MSA Managers may experience a reduction in the experience level of their personnel, which could lead to higher downtime and more operating incidents. Aquadrill's ability to operate worldwide depends on its MSA Managers' ability to obtain the necessary visas and work permits for their personnel to travel into and out of, and to work in, the jurisdictions in which Aquadrill operates. Governmental actions in some of these jurisdictions may make it difficult for Aquadrill's MSA Managers to move their personnel into and out of these jurisdictions by delaying or withholding the approval of these permits. If Aquadrill's MSA Managers are not able to obtain visas and work permits for the personnel they need for operating Aquadrill's rigs on a timely basis, or for third-party technicians needed for maintenance or repairs, its MSA Managers might not be able to perform their obligations under their drilling contracts, which could allow their customers to cancel the contracts. Any such downtime or cancellation could adversely affect Aquadrill's financial condition, results of operations and cash flow.

*1.5.23 Climate change and the regulation of greenhouse gases could have a negative impact on Aquadrill'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, or "GHGs." Currently, the emissions of GHGs from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force on 16 February 2005 and pursuant to which adopting countries have been required to implement national programs to reduce GHG emissions. Additionally, emissions from international shipping are not subject to the Paris Agreement, which resulted from the 2015 United Nations Framework Convention on Climate Change conference in Paris and which entered into force on 4 November 2016. As of 1 January 2013, all ships (including semisubmersible rigs and drillships) must comply with mandatory requirements adopted in July 2011 by the IMO's Maritime Environment Protection Committee, or the "MEPC," relating to GHG emissions. A roadmap for developing a "comprehensive IMO strategy on reduction of GHG emissions from ships" was also

approved by MEPC at its 70th session in October 2016. In April 2018, as the first milestone in the roadmap, the MEPC adopted an "initial IMO strategy on reduction of GHG emissions from ships" which aims to reduce the total annual GHG emissions from international shipping by at least 50% by 2050 compared to 2008, among other goals. The next milestone of the roadmap is adoption in 2023 of a revised strategy to reduce GHG emissions from ships. These and any future requirements could cause Aquadrill to incur additional compliance costs.

In addition, the European Union has indicated that it may propose in the future an expansion of the existing European Union Emissions Trading Scheme to include GHG emissions from marine vessels. In April 2015, a regulation was adopted requiring that large ships (over 5,000 gross tonnes) calling at European Union ports from January 2018 collect and publish data on carbon dioxide emissions and other information. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit GHG emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to GHG emissions from drilling units, the EPA has received petitions from the California Attorney General and various environmental groups seeking such regulation. Separately, in June 2016, the EPA finalized rules to reduce methane emissions from new, modified or reconstructed sources in the oil and natural gas sector, although in September 2020, the EPA finalized amendments that relaxed or rescinded the rules. On 20 January 2021, President Biden issued an Executive Order directing the EPA to consider revising or rescinding the 2019 rules. Additionally, the United States Congress has considered legislation to reduce emissions of GHGs and many states and regions have already taken legal measures to reduce or measure GHG emission levels, often involving the planned development of GHG emission inventories and/or regional cap and trade programs.

Compliance with existing regulations and changes in laws, regulations and obligations relating to climate change could increase Aquadrill's costs to operate and maintain its assets, and might also require it to install new emission controls, acquire allowances or pay taxes related to its 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 jurisdictions in which Aquadrill operates, or any treaty or agreement adopted at the international level, such as the Kyoto Protocol or Glasgow Climate Pact, which restricts emissions of greenhouse gases, could require it to make significant financial expenditures which it 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 Aquadrill'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. In addition, parties concerned about the potential effects of climate change have directed their attention at sources of funding for energy companies, which has resulted in certain financial institutions, funds and other sources of capital, restricting or eliminating their investment in or lending to oil and gas activities. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on Aquadrill's business and operations.

Finally, the impacts of severe weather, such as hurricanes, monsoons and other catastrophic storms, resulting from climate change could cause damage to Aquadrill's equipment and disruption to its MSA Managers' operations and cause other financial and operational impacts, including impacts on its MSA Managers' major customers.

#### *1.5.24 Increasing attention to ESG matters and climate change may impact Aquadrill's business and financial results.*

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed growing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or not to commit capital as a result of their assessment of a company's ESG practices. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition or share price of such a company could be materially and adversely affected.

Aquadrill may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce its carbon footprint and promote sustainability. As a result, Aquadrill may be required to implement more stringent ESG procedures or standards so that its existing and future investors and lenders remain invested in it and make further investments in it. If Aquadrill does not meet these standards, its business or its ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude companies engaged in the fossil fuel industry, such as Aquadrill, from their investing portfolios altogether due to ESG factors. These limitations in both the debt and equity capital markets may affect Aquadrill's ability to grow as its plans for growth may include accessing those markets. If those markets are unavailable, or if Aquadrill is unable to access alternative means of financing on acceptable terms, or at all, Aquadrill may be unable to implement its business strategy, which would have a material adverse effect on its financial condition and results of operations and impair its ability to service its indebtedness. Further, it is likely that Aquadrill will incur additional costs and require additional resources to monitor, report and comply with wide-ranging ESG requirements and goals, targets or objectives set in connection therewith. Similarly, these policies may negatively impact the ability of other businesses in Aquadrill's supply chain to access debt and capital markets. The occurrence of any of the foregoing could have a material adverse effect on Aquadrill's business and financial condition.

*1.5.25 Failure to effectively and timely respond to the impact of energy rebalancing could adversely affect Aquadrill's business, results of operations and cash flows.*

Aquadrill's long-term success depends on its ability to effectively respond to the impact of energy rebalancing, which could require adapting its fleet and business to potentially changing government requirements, its MSA Managers' customer preferences and customer base, as well as engaging with existing and potential customers and suppliers to develop or implement solutions designed to reduce or to decarbonize oil and gas operations or to advance renewable and other alternative energy sources. If the energy rebalancing landscape changes faster than anticipated or in a manner that Aquadrill does not anticipate, demand for its services could be adversely affected. Furthermore, if Aquadrill fails to, or is perceived not to, effectively implement an energy rebalancing strategy, or if investors or financial institutions shift funding away from companies in fossil fuel-related industries, Aquadrill's access to capital or the market for its securities could be negatively impacted.

*1.5.26 Aquadrill's failure to adequately protect its sensitive information and operational technology systems and critical data and its service providers' failure to protect their systems and data could have a material adverse effect on its business, results of operations and financial condition.*

Aquadrill's MSA Managers' day-to-day operations increasingly depend on information and operational technology systems that they manage, and other systems that their third parties, such as their service providers, vendors, and equipment providers, manage, including critical systems on Aquadrill's drilling units. These systems are subject to risks associated with growing and evolving cyber incidents or attacks. These risks include, but may not be limited to, human error, power outages, computer and telecommunication failures, natural disasters, fraud or malice, social engineering or phishing attacks, viruses or malware, and other cyberattacks, such as denial-of-service or ransomware attacks. Reports indicate that entities or groups, including cybercriminals, competitors, and nation state actors, have mounted cyber-attacks on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. In addition, the US government has issued public warnings that indicate energy assets and companies engaging in significant transactions, such as acquisitions, might be specific targets of cybersecurity threats.

Also, many of Aquadrill's and its MSA Managers' non-operational employees work remotely a significant amount of their time, which has created certain operational risks, such as an increased risk of security breaches or other cyber incidents or attacks, loss of data, fraud and other disruptions as more fully outlined above. Working remotely has significantly increased the use of technological and online telecommunication services and remote networking, which enable employees to work outside of its corporate infrastructure and, in some cases, use their own personal devices. This remote work model has resulted in an increased demand for technological resources and may expose Aquadrill and its MSA Managers to additional risks of cyber-incidents or attacks, security breaches, loss of data, fraud and other disruptions as a consequence of more employees accessing sensitive and critical information remotely. Due to the nature of cyber-attacks, breaches to its systems or its service or equipment providers' systems could go undetected for a prolonged period of time. A breach could also compromise or originate from its customers',

vendors', or other third-party systems or networks outside of its control. A security breach may result in legal claims or proceedings against Aquadrill by its shareholders, employees, customers, vendors and governmental authorities, both in the US and internationally.

While Aquadrill and its MSA Managers maintain cybersecurity programs, which includes administrative, technical, and organizational safeguards, a significant cyberattack or incident-either with Aquadrill's or its MSA Managers' systems or a critical third-party's systems-could disrupt Aquadrill's or its MSA Managers' operations and result in downtime, loss of revenue, harm to Aquadrill's reputation, or the loss, theft, corruption or unauthorized release of critical data of Aquadrill or those with whom it does business, as well as result in higher costs to correct and remedy the effects of such incidents, including potential extortion payments associated with ransomware or ransom demands. If Aquadrill's, its MSA Managers' or their service or equipment providers', safeguards maintained for protecting against cyber incidents or attacks prove to be insufficient, and an incident were to occur, it could have a material adverse effect on Aquadrill's business, financial condition, reputation, and results of operations. Aquadrill does not carry cyber insurance, and it might suffer losses as a result of a security breach or cyber incident.

In addition, laws and regulations governing, or proposed to govern, cybersecurity, data privacy and protection, and the unauthorized disclosure of confidential or protected information, including the U.K. Data Protection Act, the GDPR, Bermuda Personal Information Protection Act 2016, the California Consumer Privacy Act, the Cyber Incident Reporting for Critical Infrastructure Act, and other similar legislation in domestic and international jurisdictions pose increasingly complex compliance challenges and potentially elevate costs, and any failure to comply with these laws and regulations could result in significant penalties and legal liability.

*1.5.27 Acts of terrorism, piracy, cyber-attacks, and political and social unrest could affect the markets for drilling services, which may have a material adverse effect on Aquadrill'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 Aquadrill. Its drilling operations could also be targeted by acts of sabotage carried out by environmental activist groups.

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

*1.5.28 Aquadrill's MSA Managers' drilling contracts with national oil companies may expose Aquadrill to greater risks than it normally assumes in drilling contracts with non-governmental customers.*

Aquadrill currently owns and operates rigs that are contracted by its MSA Managers with national oil companies. The terms of these contracts are often non-negotiable and may expose Aquadrill to greater commercial, political and operational risks than it assumes in other contracts, such as exposure to materially greater environmental liability, personal injury and other claims for damages for which Aquadrill would be responsible (including consequential damages), or the risk that the contract may be terminated by Aquadrill's MSA Managers' customer without cause on short-term notice, contractually or by governmental action, under certain conditions that may not provide it with an early termination payment. Aquadrill can provide no assurance that the increased risk exposure will not have an adverse impact on its future operations or that it will not increase the number of rigs contracted to national oil companies with commensurate additional contractual risks.

*1.5.29 Aquadrill cannot guarantee that the use of its drilling units will not infringe the intellectual property rights of others.*

The majority of the intellectual property rights relating to Aquadrill's drilling units and related equipment are owned by its suppliers. In the event that one of Aquadrill's MSA Managers' suppliers becomes involved in a dispute over an infringement of intellectual property rights relating to equipment owned by Aquadrill or an MSA Manager, the MSA Manager may lose access to repair services or replacement parts, or could be required to cease using some equipment. In addition, Aquadrill's competitors may assert claims for infringement of intellectual property rights related to certain equipment on its drilling units and it 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 Aquadrill's MSA Managers' suppliers or competitors could adversely affect Aquadrill's financial results and operations. Aquadrill's MSA Managers have indemnity provisions in some of their supply contracts to give them some protection from the supplier against intellectual property lawsuits. However, Aquadrill cannot make any assurances that these suppliers will have sufficient financial standing to honor their indemnity obligations (or that the MSA Managers would be required to pay over such amounts to Aquadrill), or guarantee that the indemnities will fully protect it from the adverse consequences of such technology disputes. Aquadrill's MSA Managers' also have provisions in some of their customer contracts to require the customer to share some of these risks on a limited basis, but Aquadrill cannot provide assurance that Aquadrill will benefit from these provisions or that these provisions will fully protect it from the adverse consequences of such technology disputes.

*1.5.30 Public health threats, such as the coronavirus, or COVID-19, pandemic could have an adverse effect on Aquadrill's operations and financial results.*

Public health threats, such as Ebola, influenza, Severe Acute Respiratory Syndrome, the Zika virus, COVID-19 and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which Aquadrill operates, could adversely impact its operations and the operations of its customers. For example, the outbreak of COVID-19 has been declared by the World Health Organization as a pandemic and has spread across the globe to many countries in which Aquadrill does business and is impacting worldwide economic activity. Public health threats in any area, including areas where Aquadrill does not operate, could disrupt international transportation. Aquadrill's MSA Managers' crews generally work on a rotation basis, with a substantial portion relying on international air transport for rotation. Any disruptions could impact the cost of rotating Aquadrill's MSA Managers' crews, and possibly impact their ability to maintain a full crew on all rigs at a given time. Aquadrill continues to evaluate the impact that COVID-19 could have on its business. The continued spread of COVID-19, the measures taken by the governments of countries affected, actions taken to protect employees, and the impact of the pandemic on various business activities in affected countries and any other public health threats and related consequences could adversely affect Aquadrill's financial condition, results of operations and cash flows.

*1.5.31 Unitholders may have liability to repay distributions.*

Under the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands, as amended, supplemented or restated from time to time, and any successor statute (the "**Marshall Islands Act**"), Aquadrill may not make a distribution to its unitholders if at the time of the distribution, after giving effect to the distribution, all its liabilities, other than liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to its specified property, exceed the fair value of its assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in its assets only to the extent that the fair value of that property exceeds that liability. The Marshall Islands Act provides that for a period of three years from the date of the impermissible distribution (or longer if an action to recover the distribution is commenced during such period), members who received the distribution and who knew at the time of the distribution that it violated the Marshall Islands Act will be liable to the limited liability company for the distribution amount. Assignees who become substituted members are liable for the obligations of the assignor to make contributions to Aquadrill that are known to the assignee at the time it became members and for unknown obligations if the liabilities could be determined from the operating agreement.

*1.5.32 Because Aquadrill is a foreign limited liability company, its unitholders may not have the same rights that a unitholder in a U.S. limited liability company may have.*

Aquadrill is organized under the laws of Marshall Islands, and substantially all of its assets are located outside of the United States. As a result, it may be difficult or impossible for its unitholders to bring an action against Aquadrill if they believe that their rights have been infringed under securities laws or otherwise. Even if Aquadrill's unitholders are successful in bringing an action of this

kind, the laws of Marshall Islands and of other jurisdictions may prevent or restrict them from enforcing a judgment against its assets.

The provisions of the Marshall Islands Act resemble provisions of the limited liability company laws of a number of states in the United States, most notably Delaware. The Marshall Islands Act also provides that for non-resident limited liability companies it is to be applied and construed to make the laws of the Marshall Islands, with respect to the subject matter of the Marshall Islands Act, uniform with the laws of the State of Delaware and, so long as it does not conflict with the Marshall Islands Act or decisions of the High or Supreme Courts of the Marshall Islands the non-statutory law (or case law) of the State of Delaware is adopted as the law of the Marshall Islands. There have been, however, few, if any, court cases in the Marshall Islands interpreting the Marshall Islands Act, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited liability company statute. Accordingly, Aquadrill cannot predict whether Marshall Islands courts would reach the same conclusions as the courts in Delaware. For example, the rights of Aquadrill's unitholders under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. As a result, unitholders may have more difficulty in protecting their interests than would unitholders of a similarly organized limited liability company in the United States.

*1.5.33 Aquadrill recently emerged from bankruptcy, which could adversely affect its business and relationships.*

It is possible that its having filed for bankruptcy and its recent emergence from the Chapter 11 proceedings could adversely affect Aquadrill business and relationships with vendors, suppliers, service providers, customers, employees and other third parties. Many risks exist as a result of the Chapter 11 proceedings and its emergence, including the following:

- key suppliers, vendors, customers or other contract counterparties could, among other things, renegotiate the terms of Aquadrill's or the MSA Managers' agreements, attempt to terminate their relationships with either of them or require financial assurances from Aquadrill;
- Aquadrill's ability to renew existing MSA Managers' contracts and obtain new contracts on reasonably acceptable terms and conditions may be adversely affected;
- Aquadrill may have difficulty obtaining sufficient financing on acceptable terms to execute its business plan;
- Aquadrill's ability to attract, motivate and/or retain key executives and employees may be adversely affected; and
- competitors may take business away from Aquadrill, and its ability to compete for new business and attract and retain customers by its MSA Managers may be negatively impacted.

The occurrence of one or more of these events could have a material and adverse effect on Aquadrill's operations, financial condition and reputation. Aquadrill cannot assure that having been subject to bankruptcy protection will not adversely affect its operations in the future.

*1.5.34 Aquadrill's financial performance after emergence from bankruptcy may not be comparable to its historical financial information as a result of its adoption of fresh start accounting.*

Aquadrill emerged from bankruptcy under Chapter 11 of the United States Bankruptcy Code on 24 May 2021. Upon its emergence from bankruptcy, Aquadrill adopted fresh start accounting, as a consequence of which its assets and liabilities were adjusted to fair values and its accumulated deficit reset to zero. Accordingly, because fresh start accounting rules apply, Aquadrill's financial condition and results of operations following emergence from the Chapter 11 proceedings may not be comparable to the financial condition or results of operations reflected in its historical financial statements.

*1.5.35 Aquadrill depends on its MSA Managers to assist Aquadrill in operating and expanding the business.*

Aquadrill enters into bareboat charter contracts with its MSA Managers for most of its drilling rig fleet to provide the drilling rig to its MSA Manager. Aquadrill's MSA Managers enter into a contract for drilling services with the third-party customer for a specific drilling rig, and Aquadrill's MSA Manager will provide the crew and all related services required by the drilling contract. Aquadrill's bareboat charter contracts typically provide the use of the specified drilling rig for a term that matches the term of the drilling

contract with the third-party customer. The specific structure of the bareboat charter will vary depending on the regulatory requirements and the most cost-efficient structure for the jurisdiction of the drilling operations. The ability to enter into new drilling contracts and expand its customer and supplier relationships will depend largely on its ability to leverage its relationships with its MSA Managers and their reputations and relationships in the offshore drilling industry. If Aquadrill's MSA Managers suffer material damage to their reputations or relationships, it may harm Aquadrill's ability to:

- enter into bareboat charter contracts;
- renew existing drilling contracts upon their expiration;
- obtain new drilling contracts;
- efficiently and productively carry out Aquadrill's drilling activities;
- successfully interact with shipyards;
- obtain financing and maintain insurance on commercially acceptable terms; or
- maintain satisfactory relationships with suppliers and other third parties.

Aquadrill's business may be harmed if its MSA Managers fail to perform the agreed services satisfactorily, if they cancel their bareboat agreements with Aquadrill or if they stop providing these services to Aquadrill. The payment of fees to and the reimbursement of expenses of Aquadrill's MSA Managers could adversely affect Aquadrill's financial condition, its operational performance and its cash flows.

*1.5.36 Aquadrill is currently dependent on obtaining management and support services from its MSA Managers. The services that the MSA Managers provide to Aquadrill may not be sufficient to meet its needs, and Aquadrill may have difficulty finding replacement services or be required to enter into agreements on unfavorable terms to replace these services after agreements with an MSA Manager expire or are terminated.*

Services required by Aquadrill for the operation of its business, including those necessary to maintain, market and operate its vessels, are provided by the MSA Managers pursuant to MSAs and bareboat charters. While these services are being provided to Aquadrill by the MSA Managers, Aquadrill's operational flexibility to modify or implement changes with respect to such services or the amounts Aquadrill pays for them is limited. In the event Aquadrill's MSA Managers are unable to provide management and support services for any reason, Aquadrill has the right to terminate these agreements and would seek to build these capabilities internally or determine a suitable third party contractor to replace the current MSA Manager. This, however, may have an adverse effect on Aquadrill's operations and may negatively impact its cash flows and liquidity. After the expiration or termination of any of its agreements with the MSA Managers, Aquadrill may not be able to replace these services or enter into appropriate third party agreements on terms and conditions, including cost, comparable to those that Aquadrill receives under its current agreements with the MSA Managers. Furthermore, during the term of these agreements with the MSA Managers, the MSA Managers may not be able to retain, attract or replace competent crew for any operating or reactivated rigs. In addition, the MSA Managers may outsource some or all of these services to third parties, and a failure of all or part of an MSA Manager's relationships with its outsourcing providers could lead to delays in or interruptions of its services. Aquadrill's reliance on the MSA Managers and others as service providers, the MSA Managers' outsourcing relationships, and Aquadrill's limited ability to control certain costs and other matters related to these services and the MSA Managers' relationships with its customers could have a material adverse effect on Aquadrill's business, financial condition and results of operations. Furthermore, Aquadrill may not be able to renew agreements with its MSA Managers when they expire. If Aquadrill is unable to obtain new agreements on terms equivalent to those received under Aquadrill's existing agreements, its profitability may be adversely affected.

## 2 RESPONSIBILITY STATEMENT

This Exempted Document has been prepared by Seadrill Limited in connection with the listing of the Seadrill Common Shares issued in connection with the Merger.

The board of directors of Seadrill Limited accepts responsibility for the information contained in this Exempted Document. The members of the board of directors of Seadrill Limited confirm that to the best of their knowledge, the information contained in this Exempted Document is in accordance with the facts and that the Exempted Document makes no omission likely to affect its import.

31 March 2023

### The Board of Directors of Seadrill Limited

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*Julie Johnson Robertson*  
(Chair)

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*Mark McCollum*  
(Director)

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*Jean Cahuzac*  
(Director)

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*Jan Kjærvik*  
(Director)

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*Andrew Schultz*  
(Director)

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*Paul Smith*  
(Director)

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*Ana Zambelli*  
(Director)



### **3 GENERAL INFORMATION**

#### **3.1 Cautionary note regarding Forward-looking Statements**

This Exempted Document includes forward-looking statements that reflect Seadrill's and/or Aquadrill's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements as a general matter are all statements other than statements as to historic facts or present facts and circumstances. They appear in a number of places throughout this Exempted Document, and include statements regarding Seadrill's, Aquadrill's and/or the Combined Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to Seadrill's, Aquadrill's and/or the Combined Company's future business development and financial performance, and the industry in which Seadrill and Aquadrill operate, such as but not limited to Seadrill's, Aquadrill's and/or the Combined Company's expansion in existing and entry into new markets in the future.

Prospective investors in the Seadrill Common Shares and shareholders are cautioned that forward-looking statements are not guarantees of future performance and that Seadrill's, Aquadrill's and the Combined Company's actual financial position, operating results and liquidity, and the development of the industry and potential market in which they may operate in the future, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Exempted Document. None of, Seadrill, Aquadrill or the Combined Company can guarantee that the intentions, beliefs or current expectations upon which 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. Should one or more of these risks and uncertainties materialize, or should any underlying assumption prove to be incorrect, Seadrill's, Aquadrill's and/or the Combined Company's business, actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The risks that are currently known to Seadrill and Aquadrill and which could affect Seadrill's, Aquadrill's and/or the Combined Company's future results and could cause results to differ materially from those expressed in the forward-looking statements are disclosed in Section 1 ("Risk factors").

The information contained in this Exempted Document identifies additional factors that could affect Seadrill's, Aquadrill's and/or the Combined Company's financial position, operating results, cash flows, liquidity and performance. Prospective investors in the Shares and shareholders are urged to read all sections of this Exempted Document for a more complete discussion of the factors that could affect Seadrill's, Aquadrill's and/or the Combined Company's future performance and the industry in which Seadrill and Aquadrill operate when considering an investment in the Seadrill Common Shares. Reference is in this regard also made to Section 3.4 ("Filings with the United States Securities and Exchange Commission").

These forward-looking statements speak only as at the date on which they are made. None of Seadrill, Aquadrill or the Combined Company undertakes any 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 Seadrill, Aquadrill or the Combined Company or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Exempted Document.

#### **3.2 Financial information**

##### *3.2.1 Presentation of financial Information*

The following financial information has been incorporated by reference as part of this Exempted Document:

- Audited consolidated financial statements for Seadrill as of and for the year ended 31 December 2021 (the "**Seadrill Annual Financial Statements**") prepared in accordance with generally accepted accounting principles in the United States of America ("**U.S. GAAP**"), and the audited historical consolidated financial statements and notes of Seadrill included in Seadrill's Report on Form 6-K filed with the SEC on 27 February 2023, which recasts Seadrill's financial statements as of 31 December 2021 and 31 December 2020 and for each of the three years ended 31 December 2021.
- Unaudited consolidated financial statements for Seadrill as of and for the nine months ended 30 September 2022 (the "**Seadrill Interim Financial Statements**") prepared in accordance with U.S. GAAP.
- Audited consolidated financial statements for Aquadrill as of and for the year ended 31 December 2021 (the "**Aquadrill 2021 Annual Financial Statements**") and audited consolidated financial statements for Aquadrill as of and for the year ended 31 December 2020 (the "**Aquadrill 2020 Annual Financial Statements**"), both prepared in accordance with U.S. GAAP.
- Unaudited consolidated financial statements for Aquadrill as of and for the nine months ended 30 September 2022 (the "**Aquadrill Interim Financial Statements**") prepared in accordance with U.S. GAAP.

This Exempted Document is to be read in conjunction with these documents.

### 3.2.2 *Financial history*

Seadrill has a complex financial history as referred to in Article 18(3) of Commission Delegated Regulation (EU) 2019/980.

The predecessor of Seadrill, Seadrill Limited ("**Old Seadrill**"), was the former parent holding company of the Seadrill Group. Old Seadrill and certain of its subsidiaries filed voluntary petitions for a corporate reorganization under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court (the "**Chapter 11 Proceedings**"). Seadrill was incorporated on 15 October 2021 and became the parent holding company of the Seadrill Group with effect from 22 February 2022, following the Seadrill Group's emergence from the Chapter 11 Proceedings.

Seadrill prepares its consolidated financial statements in accordance with U.S. GAAP and under the same set of standards and accounting policies as Old Seadrill. However, upon emergence from the Chapter 11 Proceedings, Seadrill was required to adopt fresh-start accounting principles and create a new entity for financial reporting purposes (i.e. Seadrill). 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, its balance sheet items will be 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 plan of reorganization. When applying fresh-start accounting, operating results for periods prior to emergence from bankruptcy and the application of fresh-start accounting should not be combined with the operating results for periods after the application of fresh-start reporting.

In the first annual consolidated financial statements published following emergence from the Chapter 11 Proceedings (which was the Seadrill Annual Financial Statements), the consolidated period from 1 January 2021 to 31 December 2021 was presented as a predecessor period, with annual comparatives from the previously filed annual consolidated financial statements (2020).

For investors to make an informed assessment as referred to in Article 6(1) of the EU Prospectus Regulation, cf. Article 18(3) of the Commission Delegated Regulation (EU) 2019/980 (lira b) and c), pro forma financial information reflecting how the reorganization under the Chapter 11 Proceedings would have impacted the financial information of the Seadrill Group was prepared and included in Seadrill's prospectus dated 27 April 2022, prepared in connection with the listing of the Seadrill's Common Shares on Euronext Expand (the "**Prospectus**"). The insertion of Seadrill as the new parent holding company of the Seadrill 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 was a common control transaction under U.S. GAAP and had no accounting consequences to the financial reporting. Seadrill therefore believed the most relevant pro forma information was to show the implications of the transaction to the Seadrill Group's financial statements. The pro forma financial information included in the Prospectus is consistent with how the reorganization under the Chapter 11 Proceedings is reflected in the Seadrill Annual Financial Statements. Accordingly, the pro forma financial information in

the Prospectus, nor any new pro forma financial information specifically in respect of the reorganization under the Chapter 11 Proceedings, have been included herein as the Seadrill Annual Financial Statements, incorporated by reference as part of this Exempted Document, is deemed appropriate for investors to make an informed assessment.

### 3.2.3 *Pro forma financial information*

Seadrill has prepared pro forma financial information to illustrate the effects of the Merger, which includes (a) unaudited pro forma condensed consolidated statement of operations for Seadrill for the nine months ended 30 September 2022 and the year ended 31 December 2021 and (b) unaudited pro forma condensed consolidated balance sheet of Seadrill as at 30 September 2022 ((a) and (b) are together referred to as the "**Pro Forma Financial Information**"). The Pro Forma Financial Information has been prepared under the following assumptions:

- The unaudited pro forma condensed consolidated statement of operations for the nine months ended 30 September 2022 and the year ended 31 December 2021 assumes that the Merger and Completed Transactions (as defined below) had occurred on 1 January 2021.
- The unaudited pro forma condensed consolidated balance sheet as of 30 September 2022, assumes that the Merger, the PES Sale and Jack-up Sale (both defined below) had occurred on 30 September 2022. The impacts from the Seadrill Reorganization and Aquadrill Reorganization (both defined below) have already been reflected in the historical consolidated balance sheets of both Seadrill and Aquadrill as of 30 September 2022 and therefore no pro forma balance sheet adjustments were made.

The Pro Forma Financial Information is further described in Section 7 ("Unaudited pro forma consolidated financial information"). PricewaterhouseCoopers LLP (United Kingdom) ("**PwC**") has prepared a report on the Pro Forma Financial Information, which is attached to this Exempted Document as [Appendix A](#).

### 3.3 **Industry and market data**

Seadrill and Aquadrill confirm that where information has been sourced from a third party, such information has been accurately reproduced and that as far as Seadrill and Aquadrill are aware and are 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.

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. Neither Seadrill nor Aquadrill has independently verified and cannot give any assurances as to the accuracy of market data contained in this Exempted Document 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.

Seadrill and Aquadrill caution prospective investors not to place undue reliance on the above mentioned data. Unless otherwise indicated in the Exempted Document, any statements regarding competitive position are based on Seadrill's and/or Aquadrill's own assessment and knowledge of the market in which they operate.

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 Exempted Document (and projections, assumptions and estimates based on such information) may not be reliable indicators of Seadrill's, Aquadrill's or the Combined Company's future performance and the future performance of the industry in which they operate. 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 1 ("Risk factors") and elsewhere in this Exempted Document.

### **3.4 Filings with the United States Securities and Exchange Commission**

In connection with the Merger, Seadrill has filed and will file relevant materials with the SEC, including the Registration Statement. Prospective investors and shareholders of Seadrill should carefully read the entire Registration Statement, and any other relevant documents filed with the SEC, as well as any amendments or supplements to these documents, because they may contain important information about the Merger, Seadrill, Aquadrill and the Combined Company. The documents filed with the SEC may be obtained free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov).

## 4 THE MERGER

### 4.1 Introduction and description of the Merger

On 22 December 2022, Seadrill, Aquadrill and Merger Sub, entered into the Merger Agreement, pursuant to which Merger Sub will merge with and into Aquadrill, with Aquadrill surviving the Merger as a wholly owned subsidiary of Seadrill.

At the Effective Time, pursuant to the Merger Agreement, (i) each (a) common unit representing a membership interest of Aquadrill (each, an "**Aquadrill Common Unit**") that is issued and outstanding as of immediately prior to the Effective Time (other than any Aquadrill Common Units owned by Aquadrill, Merger Sub, Seadrill or any of their wholly owned subsidiaries) (each, an "**Outstanding Common Unit**"), (b) Aquadrill restricted settlement unit award (each, an "**Aquadrill RSU**") that is outstanding immediately prior to the Effective Time (each, an "**Outstanding RSU**"), (c) Aquadrill phantom appreciation right (each, an "**Aquadrill PAR**") that is outstanding immediately prior to the Effective Time (each, an "**Outstanding PAR**"), and (d) Aquadrill phantom common unit award (each, an "**Aquadrill PU**", and, together with the Aquadrill RSUs and Aquadrill PARs, referred to as the "**Aquadrill Equity Awards**") that is outstanding immediately prior to the Effective Time (each, an "**Outstanding PU**") will automatically be cancelled (as applicable) and converted into the right to receive a number of Seadrill Common Shares, calculated in accordance with the Merger Agreement and (ii) Seadrill will issue a number of Seadrill Common Shares, calculated in accordance with the Merger Agreement, payable under the Aquadrill Sale Bonus (as defined and further described in Section 4.5.3 ("Aquadrill Sale Bonus")). Such consideration payable pursuant items (i) and (ii) of this paragraph will total in aggregate 30,645,160 Seadrill Common Shares, subject to reduction relating to Outstanding RSUs as described below, referred to herein as Seadrill Common Shares or the Merger Consideration. Fractional Seadrill Common Shares will be settled in cash.

The aggregate number of Seadrill Common Shares to be issued in the Merger may be reduced if any holder of Outstanding RSUs (which are held exclusively by Outside Directors (as defined below)) elects to receive cash from Aquadrill in lieu of a portion of Seadrill Common Shares such holder will receive in the Merger in consideration of the cancellation of their Outstanding RSUs.

In connection with the execution and delivery of the Merger Agreement, certain holders and beneficial owners of Aquadrill Common Units, collectively holding more than 75% of the issued and outstanding Aquadrill Common Units (together, the "**Consenting Members**"), executed and delivered to Seadrill (i) a voting and support agreement (the "**Voting and Support Agreement**") and (ii) a written consent of the Consenting Members of Aquadrill consenting to and approving the Merger (the "**Consent**"). The Voting and Support Agreement requires each such Consenting Member to, among other things, (i) vote or give consent with respect to its Aquadrill Common Units in favor of the approval and adoption of the Merger, the Merger Agreement and all other transactions contemplated by the Merger Agreement, and (ii) comply with certain transfer restrictions on its Aquadrill Common Units (subject to certain exceptions set forth therein). The Consent is sufficient to approve the Merger and adopt the Merger Agreement and constitutes the only vote of the members of Aquadrill necessary to approve and complete the Merger; therefore, no further vote of the members of Aquadrill is required. The Merger does not require Seadrill shareholder approval.

The Merger Agreement was filed with the SEC on 23 December 2022 and is available at <https://www.sec.gov/>. Seadrill's filings to the SEC can also be accessed through <https://www.seadrill.com/investors/reports-presentations/sec-filings/>. The Merger Agreement is governed by and shall be construed in accordance with the laws of the State of Delaware.

The Merger Consideration will represent 38% of the outstanding Seadrill Common Shares immediately following Closing (assuming no issuance of new Seadrill Common Shares prior to Closing). Accordingly, immediately following Closing, and assuming no issuance of new Seadrill Common Shares prior to Closing, the persons entitled to Merger Consideration and Seadrill's existing shareholders will have an ownership interest in the Combined Company of 38% and 62%, respectively.

Following the Closing Date Seadrill will reflect the results, cashflows, and financial position of Aquadrill through its financial statements.

### 4.2 Reasons and anticipated benefits

#### 4.2.1 *The Seadrill Group's reasons for, and anticipated benefits resulting from, the Merger*

On 22 December 2022, the board of directors of Seadrill, having reviewed the Merger Agreement, the Voting and Support Agreement and the Merger Registration Rights Agreement and having considered the transactions contemplated thereby, including

the Merger, and based upon the presentations made to the board of directors of Seadrill at meetings thereof and upon such other matters as were deemed relevant by the board of directors of Seadrill (i) determined that the terms of the Merger and the other transactions contemplated thereby, including the issuance of Seadrill Common Shares as Merger Consideration, were fair to and in the best interests of Seadrill, (ii) approved the execution, delivery and performance of, and adopted, the Merger Agreement, the Voting and Support Agreement and the Merger Registration Rights Agreement and all other documents to be executed by Seadrill in connection with the Merger and the transactions contemplated thereby, and (iii) approved the Merger, the issuance of Seadrill Common Shares as Merger Consideration and the other transactions contemplated by the Merger.

Seadrill's board of directors considered various factors in making its determination. Seadrill's board of directors consulted with Seadrill's senior management and legal and financial advisors in its evaluation of the Merger and viewed the following factors as generally favorable in its determination and approval of the Merger Agreement and the transactions contemplated thereby:

- The Combined Company is expected to be in a position to serve a broader range of customers, with one of the youngest and most technologically advanced fleets in the industry.
- The Combined Company will own 12 benign environment floating drilling units (including seven 7th generation drillships), three harsh environment rigs, four benign environment jack-ups, and three tender-assist rigs. Additionally, the Combined Company would manage seven additional offshore drilling units under a variety of strategic partnerships. The addition of Aquadrill's drilling units to the Seadrill fleet will provide the Combined Company with a more substantial presence in the offshore drilling market in general and in the basins where it operates in particular.
- Aquadrill does not have a substantial headquarters headcount or general and administrative expense given that it relies entirely on outside firms to manage its drilling units. The addition of the Aquadrill units therefore should enable Seadrill to take on the Aquadrill drilling units without taking on a substantial cost structure. This should enable Seadrill to spread its non-rig specific costs over a greater number of drilling units.
- The Combined Company will have a diversified portfolio of contract coverage, with additional active fleet capacity to deploy in a rising market environment across critical basins in the "Golden Triangle" of the U.S. Gulf of Mexico, Brazil and West Africa.
- Given the extensive history between Aquadrill and Seadrill, the Combined Company is expected to be positioned to rapidly integrate and realize identified and achievable synergies of at least USD 70 million annually on a run-rate basis. Synergies are expected to be generated through a combination of:
  - the eventual elimination of management fees currently paid by Aquadrill to operate its drilling units;
  - general and administrative, and overhead cost savings;
  - logistics, supply chain and inventory efficiencies; and
  - capital expenditure savings.
- The use of Seadrill Common Shares as currency in the Merger will not require any initial cash outlay by Seadrill and will not have any impact on Seadrill's debt.
- The Combined Company is expected to benefit from an enhanced cash flow profile and a strengthened balance sheet, with improvement of its credit and liquidity position compared to the current position of Seadrill, and with access to a potentially lower cost of capital.
- Seadrill's management team's familiarity with the business, assets and competitive position of Aquadrill.

Seadrill's board of directors viewed the following factors as generally negative or unfavorable in its determination and approval of the Merger Agreement and the transactions contemplated thereby:

- The risk that the potential financial and operational benefits expected from the Merger might not be fully realized.
- The risk that Seadrill may be obligated to consummate the Merger even if Aquadrill experiences material negative developments or events between the signing of the Merger Agreement and Closing.
- The risk that the Merger might not be completed in a timely manner or that the Merger might not be consummated at all as a result of a failure to satisfy the conditions contained in the Merger Agreement, and that a failure to complete the Merger could negatively affect the trading price of the Seadrill Common Shares.
- The risk that the Seadrill Common Share trading price is currently undervalued relative to the industry when comparing certain valuation metrics.
- The risk that the attention of management and employees may be distracted during the period between signing the Merger Agreement and Closing, including by litigation related to the Merger, which could negatively impact Seadrill's and Aquadrill's respective businesses.
- The risk that the requirement that Seadrill file and maintain the effectiveness of a registration statement covering the Seadrill Common Shares that the Consenting Members will receive in the Merger will create a substantial overhang in the market, which could adversely affect the trading price for the Seadrill Common Shares.
- The risk that the Combined Company will be unable to terminate the management agreements covering the Aquadrill rigs prior to the expiration date of those agreements and assume the operation of the Aquadrill rigs in an efficient manner.

Seadrill's board of directors also considered the fact that the aggregate amount of Merger Consideration is fixed, and therefore the value of the Merger Consideration payable to the holders of Aquadrill Common Units will ultimately depend on the market price of the Seadrill Common Shares, at Closing.

After taking into account all of the factors set forth above, as well as others, Seadrill's board of directors concluded that the potential benefits of the Merger outweighed the negative or unfavorable considerations and determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are most likely to promote the success of Seadrill for the benefit of its shareholders as a whole.

The foregoing discussion is not intended to be exhaustive, but it is intended to address the material information and principal factors considered by Seadrill's board of directors in considering the Merger. In view of the number and variety of factors and the amount of information considered, Seadrill's board of directors did not find it practicable to, and did not make specific assessments of, quantify or assign relative weights to, the specific factors considered in reaching its determination. In addition, Seadrill's board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of Seadrill's board of directors may have given different weights to different factors. Seadrill's board of directors made its recommendation based on the totality of the information presented to, and the investigation conducted by, it. It should be noted that certain statements and other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under section 3.1 ("Cautionary note regarding Forward-looking Statements").

#### 4.2.2 *Aquadrill's reasons for the Merger*

Aquadrill's board of director's consulted with management and its legal and other advisors and considered many factors in approving the Merger, including the following:

- Creating a combined company that will have the scale to compete globally;

- High-specification, young, and diversified fleet across ultra-deepwater ships, jack-ups, and harsh environment rigs, providing exposure to attractive markets;
- 22 owned rigs and seven managed rigs;
- Highly contracted fleet, with approximately USD 2.7 billion revenue backlog;
- Creating a large, diversified platform to pursue additional growth and industry consolidation opportunities, with a de-levered balance sheet to facilitate increased access to capital at a reasonable cost;
- Maximizing the value of Aquadrill's existing fleet, while retaining the benefits of having previously outsourced certain services (for example, maintaining a lean structure, creating the opportunity for synergies);
- Creating a seamlessly integrated fleet with significant potential for synergies related to management services agreements, working capital, and overhead, among others;
- Obtaining for its unitholders the liquidity advantages associated with owning common stock in a publicly-traded company listed on the NYSE and Oslo Børs, as opposed to owning their current illiquid Aquadrill private-company units; and
- Obtaining advantages generally associated with being a publicly-traded company, including better access to potential future financing, name recognition and validation to benefit its business offerings and personnel recruitment efforts, an improved ability to attract and retain key personnel by offering equity awards whose value is derived from publicly-traded common stock and similar equity incentives, and capitalizing on potential synergies between the businesses.

#### **4.3 Conditions for completion of the Merger**

Each party's obligation to effect the Merger is subject to the fulfillment (or waiver by Seadrill and Aquadrill) at or prior to the Effective Time of the following conditions:

- approval by the holders of Aquadrill Common Units will have been duly obtained (required approval has already been obtained through the Consent, see Section 4.1 ("Introduction and description of the Merger") above);
- no order by any governmental entity of competent jurisdiction makes illegal or prohibits the consummation of the Merger or the issuance of Seadrill Common Shares in connection with the Merger has been entered and continues to be in effect, and no law has been enacted, entered, promulgated, enforced or deemed applicable by any governmental entity of competent jurisdiction that prohibits or makes illegal the consummation of the Merger or the issuance of Seadrill Common Shares in connection with the Merger; and
- the waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**") will have expired or been terminated (the waiting period applicable to the Merger expired on 6 February 2023 without extension or any further action by the U.S. antitrust agencies, see Section 4.10 ("Regulatory approvals required in the Merger") below).

Aquadrill's obligations to effect the Merger are also subject to the fulfillment (or waiver by Aquadrill) at or prior to the Effective Time of the following conditions:

- The accuracy of the representations and warranties of Seadrill set forth in the Merger Agreement, subject to certain exceptions and materiality standards set forth in the Merger Agreement, both when made and as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties will be true and correct as of such earlier date).



- The Registration Statement will have become effective under the U.S. Securities Act, and will not be the subject of any stop order that is in effect and any applicable waiting period shall have elapsed.
- This Exempted Document will have been published by Seadrill in accordance with the Norwegian Securities Trading Act of 2007, as amended.
- Seadrill and Merger Sub will have in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by them at or prior to the Effective Time.
- Each of Seadrill and Merger Sub will have delivered to Aquadrill a certificate, dated as of the Closing Date and signed by an executive officer of Seadrill, certifying to the effect that the conditions set forth in the first and fourth bullet points listed above have been satisfied.
- The Merger Consideration (other than the portion of the Merger Consideration issuable to the Consenting Members) will have been issued under the Merger Agreement without any restrictive notations or legends and (i) be eligible for listing and trading on Oslo Børs and (ii) approved for listing and trading on the NYSE, subject to official notice of issuance.
- Seadrill will have executed and delivered to Aquadrill its signature page to the Registration Rights Agreement.
- Seadrill will have submitted a report on continued listing to Oslo Børs within the applicable time-period pursuant to Oslo Rule Book II - Issuer Rules Section 4.7, and Oslo Børs will have confirmed to Seadrill that the listing of Seadrill on Oslo Børs may continue following completion of the Merger (the necessary confirmation from Oslo Børs has been obtained).

Each of Seadrill's and Merger Sub's obligations to effect the Merger are also subject to the fulfillment (or waiver by Seadrill and Merger Sub) at or prior to the Effective Time of the following conditions:

- The accuracy of the representations and warranties of Aquadrill set forth in the Merger Agreement, subject to certain exceptions and materiality standards set forth in the Merger Agreement, both when made and as of the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties will be true and correct as of such earlier date).
- Aquadrill will have in all material respects performed all obligations and complied with all covenants required by the Merger Agreement to be performed or complied with by it prior to the Effective Time.
- Aquadrill will have delivered to Seadrill a certificate, dated as of the Closing Date and signed by an executive officer of Aquadrill, certifying to the effect that the conditions set forth in the first and second bullet points listed above have been satisfied.

#### **4.4 Timetable for the Merger**

The Merger Agreement provides that the consummation of the Merger will take place on (i) the second Business Day after all conditions to effect the Merger have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the consummation of the Merger, but subject to the satisfaction or waiver of those conditions at that time), (ii) such other date and time as agreed to in writing by Seadrill and Aquadrill or (iii) by electronic transmittal of executed documents.

The Effective Time of the Merger will be at the time of filing of a certificate of merger with the Registrar of Corporations for the Republic of the Marshall Islands, or at such subsequent time as Seadrill and Aquadrill agree and specify in such certificate of merger, as applicable.

Key dates for the Merger are:

<b>Date</b>	<b>Event</b>
22 December 2022	Signing of the Merger Agreement
6 January 2023	Seadrill and Aquadrill submitted their respective Notification and Report forms pursuant to the HSR Act with the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission
6 February 2023	The waiting pursuant to the HSR Act expired without extension or any further action by the U.S. antitrust agencies
27 February 2023	Filing of the Registration Statement with the SEC
21 March 2023	Seadrill 2022 annual general meeting <sup>1</sup>
23 March 2023	Filing of amendment to the Registration Statement with the SEC
31 March 2023	SEC declared the Registration Statement effective
31 March 2023	Exempted Document published
On or about 3 April 2023	Closing Date
On or about 3 April 2023	Effective Time (provided that the conditions for completion of the Merger are fulfilled)

<sup>1</sup> As further described in Section 5.4.1 ("Board of directors"), Seadrill has agreed to facilitate the addition of two persons designated by the Consenting Majority Members (as defined below) to Seadrill's board of directors, subject to Seadrill's board of directors reasonable and good faith determination that such individuals meet certain qualifications provided in the Merger Agreement. Seadrill's 2022 annual general meeting was held on 21 March 2023, at which Seadrill's shareholders approved the proposal to increase the size of Seadrill's board of directors from seven to nine directors and authorized the Seadrill board of directors to fill the two newly created vacancies. Pursuant to the Merger Agreement, Seadrill has agreed to appoint two persons designated by the Consenting Majority Members to fill those vacancies; however, as of the date of this Exempted Document, no such designees have been approved by Seadrill's board of directors, and there can be no assurances that any designees will be appointed to Seadrill's board of directors.

## **4.5 Consideration of the Merger**

### **4.5.1 General**

At the Effective Time, each (i) Outstanding Common Unit, (ii) Outstanding RSU, (iii) Outstanding PAR, and (iv) Outstanding PU will automatically be cancelled (as applicable) and converted into the right to receive a number of Seadrill Common Shares, each with par value USD 0.01, that, together with the Seadrill Common Shares payable under the Aquadrill Sale Bonus described in Section 4.5.3 ("Aquadrill Sale Bonus") below, will total an aggregate of 30,645,160 Seadrill Common Shares, subject to reduction relating to Outstanding RSUs. The Seadrill Common Shares issued in the Merger will be issued pursuant to the Merger Agreement as approved by Seadrill's board of directors, and have ISIN BMG7997W1029.

Each non-employee member of the Aquadrill's board of directors (each, an "**Outside Director**") that holds an Outstanding RSU will have the option to elect (the "**Cash Election**") to receive cash from Aquadrill as consideration for the cancellation of a percentage of the Outstanding RSUs held by such Outside Director and in lieu of a portion of the Seadrill Common Shares otherwise issuable to such Outside Director as part of the Merger Consideration. At Closing, an Outside Director who makes the Cash Election will receive as consideration for the cancellation of the Outstanding RSUs held by such Outside Director, (i) for Outstanding RSUs which the Outside Director did not make the Cash Election, Seadrill Common Shares and (ii) for Outstanding RSUs which the Outside Director did make the Cash Election, an amount of cash for each Outstanding RSU equal to the volume-weighted average price of a share of Seadrill Common Shares on the NYSE for the 20 trading days ending on the trading day immediately prior to the Closing Date (the "**VWAP**"). The number of shares issuable by Seadrill as part of the Merger Consideration will be reduced by the number of Outstanding RSUs for which the Cash Election is made.

At the Effective Time, each Outstanding Common Unit will be converted automatically into the right to receive a number of Seadrill Common Shares equal to "the Final Unit Exchange Ratio". The consideration offered to the holders of Outstanding Common Units were subject to negotiation between Seadrill and Aquadrill, which focused on the pro forma ownership of the Combined Company on a fully diluted basis based on financial analysis. During the course of negotiations, Seadrill, together with its financial advisor, and Aquadrill, together with its financial advisor, discussed pro forma ownership for holders of Aquadrill Common Units ranging from 30.0% to 38.0% of the Combined Company. The final pro forma ownership will result in the issuance of 30,645,160 Seadrill Common Shares, which, after adjustment for the contractual rights of holders of Aquadrill Equity Awards and the Aquadrill Sale Bonus, will be allocated among the holders of Aquadrill Common Units on a pro rata basis. Please see [Appendix B](#) for how the Final Unit Exchange Ratio is calculated.

#### 4.5.2 *Treatment of Aquadrill Equity Awards*

At the Effective Time, each Outstanding PAR, whether vested or unvested, will be cancelled and converted into the right to receive a number of Seadrill Common Shares equal to "the Final PAR Exchange Ratio" (please see [Appendix B](#) for how the Final PAR Exchange Ratio is calculated) on the Closing Date and, if applicable, cash in lieu of fractional shares. If the Strike Price for the Outstanding PARs is greater than or equal to the product of (i) the Final Unit Exchange Ratio and (ii) the VWAP, the Outstanding PARs will be cancelled for no consideration at the Effective Time.

At the Effective Time, each Outstanding RSU and Outstanding PU, whether vested or unvested, will be cancelled and converted into the right to receive that number of Seadrill Common Shares equal to "the Final Unit Exchange Ratio" on the Closing Date (subject to any Cash Elections by holders of Outstanding RSUs) and, if applicable, cash in lieu of fractional shares.

Subject to the specific terms of the Merger Agreement, the aggregate number of Seadrill Common Shares issued in the Merger may be reduced if any holder of Outstanding RSUs (which are held exclusively by Outside Directors) makes the Cash Election. The amount of cash that may be received by any such Outstanding RSU holder may not exceed the lesser of: (x) the estimated income tax rate that would become payable by such holder as a result of the Closing; and (y) 75% multiplied by the value of the Seadrill Common Shares received in consideration of the cancellation of the Outstanding RSUs held by such holder. Seadrill does not expect that the reduction in the Seadrill Common Shares issuable in the Merger as a result of any such elections will exceed 200,000 shares.

#### 4.5.3 *Aquadrill Sale Bonus*

Concurrently with the execution of the Merger Agreement, Aquadrill and Aquadrill's Chief Executive Officer and a member of Aquadrill's board of directors Steven Newman, the grantee under the Sale Bonus Award Agreement dated 24 May 2021 (the "**Sale Bonus Award Agreement**"), entered into an agreement that provides that, as of immediately prior to the Effective Time, the Sale Bonus Award Agreement will be terminated, and Steven Newman will receive a number of Seadrill Common Shares calculated in accordance with the Merger Agreement (the "**Aquadrill Sale Bonus**"). The calculation formula for the Aquadrill Sale Bonus, together with an example calculation is set out in [Appendix B](#).

### 4.6 **Impact of the Merger on the Combined Company**

The Merger will create an industry-leading offshore drilling company, with a modern and high specification fleet and a streamlined cost structure.

Through the Merger, the Combined Company is expected to be in a position to serve a broader range of customers, with one of the youngest and most technologically advanced fleets in the industry. The Combined Company will own 12 benign environment floating drilling units (including seven 7th generation drillships), three harsh environment rigs, four benign environment jack-ups, and three tender-assist rigs. Additionally, the Combined Company would manage seven additional offshore drilling units under a variety of strategic partnerships. The addition of the Aquadrill units to the Seadrill fleet will provide the Combined Company with a more substantial presence in the offshore drilling market in general and in the basins where it operates in particular.

The Combined Company will have a diversified portfolio of contract coverage, with additional active fleet capacity to deploy in a rising market environment across critical basins in the "Golden Triangle" of the U.S. Gulf of Mexico, Brazil and West Africa.

Given the extensive history between Aquadrill and Seadrill, the Combined Company is expected to be positioned to rapidly integrate and realize identified and achievable synergies of at least USD 70 million annually on a run-rate basis. Synergies are expected to be generated through a combination of (i) the eventual elimination of management fees currently paid by Aquadrill to operate its drilling units, (ii) general and administrative, and overhead cost savings, (iii) logistics, supply chain and inventory efficiencies, and (iv) capital expenditure savings.

The Combined Company is expected to benefit from an enhanced cash flow profile and a strengthened balance sheet, with improvement of its credit and liquidity position compared to the current position of Seadrill, and with access to a potentially lower cost of capital.

No significant changes impacting Seadrill's operations, principal activities or services or material restructurings or reorganizations are expected implemented in connection with the Merger.

The Merger will not have any effect on current material contracts of Seadrill. Aquadrill depends on other offshore drilling contractors, including affiliates of Diamond Offshore Drilling, Inc., Vantage Drilling International and Energy Drilling Management Pte Ltd. (the MSA Managers) to maintain, market and operate Aquadrill's vessels pursuant to the MSAs. Certain of Aquadrill's contracts with the MSA Managers and the MSA Managers' contracts with other third parties have "change of control" or similar clauses that allow the counterparty to terminate or change the terms of their contract upon the closing of the transactions contemplated by the Merger Agreement. Aquadrill (with respect to the MSA Managers) or the MSA Managers (with respect to other third parties) may seek to obtain consent, but if these consents are not obtained, or are obtained on unfavorable terms, the Combined Company may lose any desired benefit of such contracts, including benefits that may be material to the business of the Combined Company.

#### 4.7 Interests of certain persons in the Merger

Aquadrill's directors, executive officers and senior consultants have interests in the Merger that are different from, or in addition to, the interests of holders of Aquadrill Common Units. Certain outstanding Aquadrill Equity Awards held by Aquadrill, non-employee directors, executive officers and senior consultants will vest automatically upon completion of the Merger and Aquadrill non-employee directors will have the option to receive a portion of the Merger Consideration to which they are entitled in cash, as further described in Section 4.5 ("Consideration of the Merger"). Moreover, Aquadrill's Chief Executive Officer is entitled to a portion of the Merger Consideration payable under the Aquadrill Sale Bonus (see Section 4.5 ("Consideration of the Merger")). Each of these provisions creates an interest in the Merger that may be different from, or in addition to, interests of a holder of Aquadrill Common Units. The members of Seadrill's board of directors and Aquadrill's board of directors were aware of, and considered, these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger.

The amounts presented in the following discussion do not reflect the impact of applicable withholding or other potential taxes. As a result of these assumptions, which may or may not actually occur or be accurate on the relevant date, the actual amounts, if any, to be received by Aquadrill's executive officers and directors may materially differ from the amounts set forth in this section.

At the Effective Time, each Outstanding PAR, Outstanding PU and Outstanding RSU, whether vested or unvested, will be cancelled and converted into the right to receive a number of Seadrill Common Shares and, if applicable, cash in lieu of fractional shares, in each case calculated in accordance with the Merger Agreement and in the cast of Outstanding RSUs (which are held exclusively by Outside Directors) subject to any Cash Elections by holders thereof.

The table below summarizes the number of Aquadrill Equity Awards held by each member of Aquadrill's board of directors.

Name	Aquadrill PARs	Aquadrill RSUs	Aquadrill PUs
Alan S. Bigman.....	-	30,526	-
John Bishop.....	-	30,526	-
Daniel C. Herz.....	-	30,526	-
N. John Lancaster, Jr.....	-	30,526	-

#### 4.8 Expenses of the Merger

Whether or not the Merger is consummated, all costs and expenses incurred in connection with the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement shall be paid by the party incurring or required to incur such expenses, except that (i) expenses incurred in connection with the printing and mailing of this Exempted Document (including applicable filing fees), (ii) expenses incurred in connection with the printing, filing and mailing of the Registration Statement (including applicable SEC filing fees) and (iii) all fees paid in respect of any HSR Act or other regulatory filing shall be equally borne by Aquadrill and Seadrill. All transfer taxes (including but not limited to stamp taxes and duties) incurred in connection with the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement shall be paid by Seadrill.

## 4.9 Admission to trading

### 4.9.1 General

The Seadrill Common Shares are listed on the NYSE and Oslo Børs (secondary listing).

Seadrill's shares are registered in the Register of Members of Seadrill maintained at the registered office of Seadrill in Bermuda and secondary recorded in the Norwegian Central Securities Depository, Euronext Securities Oslo (the "**VPS**") in book-entry form. DTC acts as primary securities depository for Seadrill's shares. In Seadrill's Register of Members, the legal title to the shares is in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Computershare Trust Company, N.A. (the "**Transfer Agent**") acts as Seadrill's transfer agent and registrar with respect to the branch register (as such term is understood under the Bermuda Companies Act 1981, as amended, of Bermuda (the "**Bermuda Companies Act**") of the Register of Members and the primary recording in DTC. DTC issues dematerialized book-entry interests within its system to the direct or indirect custodian bank of DNB Bank ASA, being Euroclear, acting as Seadrill's VPS registrar (the "**VPS Registrar**"), which will forward such interest through a custody chain to the VPS Registrar. The VPS Registrar registers such book entry interests in VPS as a secondary recording of shares, and further deliver the shares into the investors' respective VPS accounts. The dematerialized book entry interests recorded in the VPS and listed on Oslo Børs are regarded as the "shares" in accordance with the Central Securities Depositories Regulation (CSDR). In order to facilitate registration of the shares in the VPS, Seadrill has entered into a deposit and registrar agreement (the "**Registrar Agreement**") with the VPS Registrar, which administrates Seadrill's VPS register.

Pursuant to the Registrar Agreement a direct or indirect custodian bank of the VPS Registrar is registered as the holder of the primary recorded securities in DTC pursuant to which the shares are derived from. The VPS Registrar registers the shares by way of a secondary recording in book-entry form in the VPS.

The title to the shares is evidenced and transferred without a written instrument by the VPS. The shares registered in VPS and listed on Oslo Børs, have ISIN BMG7997W1029. The CUSIP number for all of Seadrill's issued common shares with ISIN BMG7997W1029 is G7997W102.

The Seadrill Common Shares are freely transferable pursuant to Seadrill's bye-laws and Bermuda law applicable to Seadrill. Neither Bermuda law nor the bye-laws implies any ownership restrictions. Notwithstanding the aforementioned, the Bye-Laws provide that Seadrill's board of directors may decline to register, and may require any registrar appointed by Seadrill 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 Seadrill's board of directors, to result in 50% or more of the issued share capital (or of the votes attaching all issued shares in Seadrill) being held or owned directly or indirectly by persons resident for tax purposes in Norway.

### 4.9.2 Seadrill Common Shares issued in the Merger

Seadrill has pursuant to the Merger Agreement agreed to use its reasonable best efforts to cause the Seadrill Common Shares to be issued (i) in the Merger and (ii) as Merger Consideration to be admitted for listing on Oslo Børs and the NYSE, as of or as soon as practicable following the Closing Date. Seadrill has also agreed to use its reasonable best efforts to maintain its existing listing on the NYSE until the Effective Time.

The portion of the Seadrill Common Shares issued to the Consenting Members will be restricted securities within the meaning of the U.S. Securities Act and the rules and regulations promulgated thereunder. The relevant portion of the Seadrill Common Shares will not be eligible for listing on Oslo Børs before any restrictive notations or legends in respect of such Seadrill Common Shares are removed, and such Seadrill Common Shares are eligible for deposit in and clearance and settlement through the facilities of DTC in an unrestricted CUSIP number applicable to Seadrill Common Shares and for being recorded in the VPS under Seadrill's ISIN number BMG7997W1029.

As a condition to the Closing, on the Closing Date, the Consenting Members and Seadrill will execute a registration rights agreement (the "**Merger Registration Rights Agreement**"). Pursuant to the Merger Registration Rights Agreement, Seadrill will agree to register the resale of Seadrill Common Shares issued to the Consenting Members pursuant to the Merger Agreement (the "**Merger Registrable Securities**").

As promptly as practicable after closing the Merger, but in any event within three business days (or longer under certain circumstances related to the preparation of Seadrill's financial statements), Seadrill will be required to file a registration statement with the SEC to register the resale of the Merger Registrable Securities. Seadrill will use its reasonable best efforts to cause the registration statement to be declared effective as promptly as practicable after filing, but in any event within ten days after resolving all SEC comments or receiving notice that the registration statement will not be reviewed by the SEC.

Holders of Merger Registrable Securities (or their permitted transferees) will have the right to initiate, upon written request to Seadrill, (i) an unlimited number of non-marketed shelf take downs and (ii) up to four underwritten offerings (including any block trade) during any 12-month period (and no more than one underwritten offering in any 90-day period), and such underwritten offerings must be reasonably anticipated to have an aggregate offering price of at least USD 20 million. Seadrill will agree to use its reasonable best efforts to file and effect any amendments or supplements to its registration statement for the purpose of such underwritten offerings. Seadrill is generally required to provide notice of such request to all holders of Merger Registrable Securities who may, in certain circumstances, participate in the registration.

Subject to certain exceptions, if at any time Seadrill proposes to register an offering of Seadrill Common Shares or conduct an underwritten offering, whether or not for Seadrill's own account, then Seadrill must notify each holder of Merger Registrable Securities of such proposal to allow each holder to include a specified number of their Merger Registrable Securities in that registration statement or underwritten offering, as applicable.

Seadrill will be required to use reasonable best efforts to maintain the effectiveness of any such registration statement until the date on which all Merger Registrable Securities covered by such registration statement have been sold.

The registration rights are subject to certain conditions and limitations, including, among others, the right of the underwriters to limit the number of shares to be included in a registration and Seadrill's right to delay or withdraw a registration statement under certain circumstances. Seadrill will generally pay all registration expenses in connection with its obligations under the Merger Registration Rights (excluding any underwriting discounts, commissions or fees in connection with a sale of the Merger Registrable Securities), regardless of whether a registration statement is filed or becomes effective.

#### **4.10 Regulatory approvals required in the Merger**

Consummation of the Merger is conditioned upon the receipt of antitrust approval. Under the provisions of the HSR Act, the Merger may not be consummated until filings are made with the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission and the expiration of, or early termination of, a 30-calendar day waiting period following the filing. Seadrill and Aquadrill submitted their respective Notification and Report forms pursuant to the HSR Act on 6 January 2023. The waiting period expired on 6 February 2023 without extension or any further action by the U.S. antitrust agencies.

#### **4.11 Dilution**

Immediately following Closing, and assuming issuance of 30,645,160 Seadrill Common Shares (i.e., no reduction of Seadrill Common Shares relating to Outstanding RSUs), a total of 80,645,158 Seadrill Common Shares will be issued and outstanding, of which 30,645,160 Seadrill Common Shares (corresponding to 38% of the total number of Seadrill Common Shares immediately following Closing) will be owned by the person entitled to Merger Consideration.

Immediately following Closing, and assuming issuance of 30,445,160 Seadrill Common Shares (i.e., maximum estimated reduction of Seadrill Common Shares relating to Outstanding RSUs), a total of 80,445,158 Seadrill Common Shares will be issued and outstanding, of which 30,445,160.4 Seadrill Common Shares (corresponding to 38% of the total number of Seadrill Common Shares immediately following Closing) will be owned by the person entitled to Merger Consideration.

	Issued share capital (USD)	No. of issued shares, each carrying one vote	Par value per share (USD)
<b>Prior to Closing</b>	499,999.98	49,999,998	0.01
<b>Immediately following Closing (assuming issuance of 30,645,160 Seadrill Common Shares)</b>	806,451.58	80,645,158	0.01
<b>Immediately following Closing (assuming issuance of 30,445,160 Seadrill Common Shares)</b>	804,451.58	80,445,158	0.01

There are no difference in voting rights among the Seadrill Common Shares. 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.

As of 30 September 2022, which is the latest financial reporting date for each of Seadrill and Aquadrill, the equity per Seadrill Common Share was USD 29.08. The Merger Consideration, in the form of up to 30,645,160 Seadrill Common Shares, will be issued upon Closing. Seadrill Common Shares are tradable on Oslo Børs and the NYSE, and market price for the Seadrill Common Shares can change. Accordingly, the issue price per Seadrill Common Share is not known as of the date of this Exempted Document. As of 30 March 2023, the closing trading price for the Seadrill Common Shares on the NYSE was USD 39.63, and the closing trading price for the Seadrill Common Shares on the OSE was NOK 404.00.

#### **4.12 No Appraisal Rights**

Holders of Aquadrill Common Units do not have statutory appraisal rights under the Marshall Islands Limited Liability Company Act or contractual appraisal rights under the Second Amended and Restated Limited Liability Company Agreement of Aquadrill, dated 24 May 2021, as amended, supplemented or restated from time to time or the Merger Agreement.

## **5 BUSINESS OVERVIEW – SEADRILL**

*This Section provides an overview of the business of the Seadrill Group as of the date of this Exempted Document unless otherwise indicated. The following discussion contains forward-looking statements that reflect the Seadrill Group's plans and estimates and should be read in conjunction with Section 3.1 "Cautionary note regarding Forward-looking Statements" and the other parts of this Exempted Document, in particular Section 1 "Risk factors".*

### **5.1 Corporate information**

Seadrill is an exempted company limited by shares incorporated under the laws of Bermuda and in accordance with the Bermuda Companies Act. Seadrill was incorporated on 15 October 2021 under the name Seadrill 2021 Limited, and with effect from on or around 22 February 2022, its name was changed to Seadrill Limited, which also is its commercial name. Seadrill is registered with the Bermuda Registrar of Companies under registration number 202100496. Seadrill's LEI-code is 213800EQ6L456U2JCO89.

Seadrill's registered office is at Park Place, 55 Par la Ville Road, Hamilton HM 11, Bermuda. Its telephone number at that address is +1 (441) 242 1500. Seadrill's principal executive offices are located at Seadrill'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. The Seadrill Group's website address is [www.seadrill.com](http://www.seadrill.com). The content of [www.seadrill.com](http://www.seadrill.com) is not incorporated by reference into this Exempted Document, nor does it in any other manner constitute a part of this Exempted Document.

Seadrill, the ultimate parent company of the Seadrill Group, is a holding company and its primary activity is to hold shares in other companies. The operations of the Seadrill Group are entirely carried out by the Seadrill Group's operating subsidiaries.

### **5.2 Overview of the Seadrill Group's Operations**

#### *5.2.1 Introduction*

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

Through a number of acquisitions of companies, secondhand units and newbuildings, the Seadrill Group has developed into one of the world's largest international offshore drilling contractors. The Seadrill Group employ around 2,590 employees (including contracted-in staff, but not counting employees of the SeaMex Group) around the globe. The Seadrill Group is incorporated in Bermuda, and has worldwide operations where its activities are conducted in the global oil and gas industry. The majority of the Seadrill Group's revenues are generated from areas where the rigs are in operation, such as Angola, Brazil, Norway, Saudi Arabia, and the United States.

The Seadrill 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 Seadrill Group is recognized for providing high quality operations, in some of the most challenging sectors of offshore drilling. The Seadrill Group provides operations in the oil and gas exploration and development in regions throughout the world. The Seadrill Group's offshore drilling services are provided to national, international and independent oil companies.

The Seadrill Group operates its business through the following segments: (i) harsh environment rigs; (ii) floaters; and (iii) jack-up rigs, as further explained in Section 5.2.2 ("The Seadrill Group's fleet") below.

#### *5.2.2 The Seadrill Group's fleet*

As at 30 March 2022, the Seadrill Group's owned fleet was comprised of 14 offshore drilling units consisting of two harsh environment rigs, two benign-environment semi-submersible rigs, six drillships and four jack-up rigs.



On 1 September 2022, the Seadrill Group entered into a share purchase agreement with subsidiaries of ADES Arabia Holding Ltd. (together, "**ADES**") to sell the legal entities that owned and operated seven jack-ups in the Kingdom of Saudi Arabia (the "**Jack-up Sale**"). As of 30 September 2022, the related assets and liabilities were classified as held for sale with the associated results of operations classified in discontinued operations. The Jack-up Sale was completed on 18 October 2022, with ADES becoming the owner of AOD I, AOD II, AOD III, West Callisto, West Ariel, West Cressida, and West Leda. Following completion of the Jack-up Sale, ADES also employs the crews operating the rigs and holds the drilling contracts related to the rigs. The total consideration agreed for the Jack-up Sale was USD 628 million in cash (subject to certain adjustments and reimbursement of certain costs). The Jack-up Sale caused immediate cash repayment obligations under Seadrill's secured second lien facility. The repayment obligations, contractually referred to as mandatory payments, were based on the proceeds received and resulted in a minimum payment of USD 204 million that comprised of USD 192 million in debt principal, USD 10 million in exit fee, and USD 2 million in accrued interest.

#### 5.2.2.1 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. Drillships are suitable for drilling in remote locations because of their mobility and large load-carrying capacity. Depending on the country of operation, drillships operate with crews of 50 or more people.

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

Semi-submersibles are self-propelled drilling rigs 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 50 or more people.

#### 5.2.2.2 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.

#### 5.2.2.3 Harsh environment rigs

Harsh environment rigs include both semi-submersibles and jack-ups that have a number of design modifications to be able to handle weather conditions as seen in the North Sea and Canada. Compared to benign environment rigs, these modifications include increased variable load to reduce the need for resupply, increased air gap to increase wave clearance, increased automation, changes in the geometry of the legs or columns to decrease wind and wave loads, and greater spacing between the legs or columns. Harsh environment rigs tend to be larger, heavier and more expensive to construct than benign environment rigs.

#### 5.2.3 *Demand for the Seadrill Group's products*

The demand for offshore drilling services is driven by oil and gas companies' exploration and development drilling programs. These drilling programs are affected by oil and gas companies' expectations regarding oil and gas prices, anticipated production levels, worldwide demand for oil and gas products, the availability of quality drilling prospects, exploration success, availability of qualified rigs and operating personnel, relative production costs, availability and lead time requirements for drilling and production equipment, the stage of reservoir development and political and regulatory environments. Oil and gas prices are volatile, which has historically led to significant fluctuations in expenditures by the Seadrill Group's customers for drilling services. Variations in

market conditions during cycles impact the Seadrill Group in different ways, depending primarily on the length of drilling contracts in different regions.

For the nine-month period ended 30 September 2022, the Seadrill Group's five largest customers were Sonadrill, ConocoPhillips, Var Energi, Equinor, and Shell, which accounted for approximately 66% of the Seadrill Group's revenues in the aggregate.

During the last financial year, the Seadrill Group has continued to provide offshore drilling units to the oil and gas industry services, with several new agreements with customers having been entered into. During the quarter ended 30 September 2022, the Seadrill Group added USD 91 million of order backlog<sup>1</sup>, while consuming USD 266 million.

#### 5.2.4 *Markets and segments*

The Seadrill Group operates globally, with operations geographically dispersed in oil and gas exploration and development areas throughout the world. The Seadrill Group operates in a single, global offshore drilling market, as its drilling rigs are mobile assets and are able to be moved according to prevailing market conditions. 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. 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.

The Seadrill Group uses the management approach to identify its operating segments, and has identified the board of directors as its Chief Operating Decision Maker which regularly reviews internal reports when making decisions about allocation of resources to segments and in assessing their performance.

As of the date of this Exempted Document, the Seadrill Group has the following three reportable segments:

- **Harsh environment:** Includes contract revenues, management contract revenue, reimbursable revenue and associated expenses for harsh environment semi-submersible and jack-up rigs.
- **Floaters:** Includes contract revenues, management contract revenue, reimbursable revenue and associated expenses for benign environment semi-submersible rigs and drillships.
- **Jack-ups:** Includes contract revenues, management contract revenue, reimbursable revenue and associated expenses for benign environment jack-up rigs.

Segment results are evaluated on the basis of operating income and the information presented below is based on information used for internal management reporting. The remaining incidental revenues and expenses not included in the reportable segments are included in the "other" reportable segment.

#### *Segment information derived from the Seadrill Annual Financial Statements and Seadrill Interim Financial Statements*

The table below sets out the Seadrill Group's revenues distributed based on its reporting segments. The reader should note that Seadrill emerged from Chapter 11 on 22 February 2022, and that the financial figures for the nine months ended 30 September 2022 therefore are split between revenues generated by Old Seadrill (as predecessor) and Seadrill (as successor).

*(In USD millions)*

<b>Nine months ended 30 September 2022</b>		
<b>From 1 January</b>	<b>From 23 February</b>	<b>Year ended 31</b>

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<sup>1</sup> Order backlog includes all firm contracts at the contractual operating dayrate multiplied by the number of days remaining in the firm contract period. For contracts which include a market indexed rate mechanism, Seadrill utilizes the current applicable dayrate multiplied by the number of days remaining in the firm contract period. Order backlog includes management contract revenues and lease revenues from bareboat charter arrangements. Order backlog excludes revenues for mobilization, demobilization and contract preparation or other incentive provisions and excludes backlog relating to non-consolidated entities.

	<b>2022 through 22 February 2022 (predecessor)</b>	<b>2022 through 30 September 2022 (successor)</b>	<b>December 2021</b>
Harsh environment .....	78	261	495
Floaters .....	85	327	363
Jack-ups.....	6	27	139
Other.....	-	-	11
<b>Total .....</b>	<b>169</b>	<b>615</b>	<b>1,008</b>

The table below sets out the Seadrill Group's revenues by geographic area. Revenues are attributed to geographical segments based on the country of operations for drilling activities i.e. the country where the revenues are generated. The reader should note that Seadrill emerged from Chapter 11 on 22 February 2022, and that the financial figures for the nine months ended 30 September 2022 therefore are split between revenues generated by Old Seadrill (as predecessor) and Seadrill (as successor).

(In USD millions)

	<b>Nine months ended 30 September 2022</b>		
	<b>From 1 January 2022 through 22 February 2022 (predecessor)</b>	<b>From 23 February 2022 through 30 September 2022 (successor)</b>	<b>Year ended 31 December 2021</b>
Norway.....	78	180	486
Angola .....	43	160	125
Brazil .....	19	67	121
United States.....	20	100	105
Canada.....	-	80	-
Saudi Arabia .....	-	-	100
Others <sup>1</sup> .....	9	28	71
<b>Total .....</b>	<b>169</b>	<b>615</b>	<b>1,008</b>

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

### 5.3 Significant changes and trends

#### 5.3.1 Operations and principal activities

The following significant changes, having an impact on the operations and principal activities of Seadrill, have occurred since 31 December 2021:

#### **NSNCo emergence**

On 2 July 2021, Seadrill agreed to the key commercial terms for the sale of 65% of NSNCo (now PES) to the holders of the Senior Secured Notes (the "**Noteholders**") issued by NSNCo in connection with the restructuring that took place as part of the Chapter 11 Proceedings (the "**Senior Secured Notes**") in exchange for the release of Seadrill's existing guarantees over the Senior Secured Notes, as well as a modification to certain terms of the notes. On 20 January 2022, NSNCo emerged from its chapter 11 process after successfully completing its pre-packaged restructuring pursuant to its chapter 11 plan of reorganization, with the Noteholders receiving 65% of pro forma equity in NSNCo, with Seadrill Investment Holding Company (a subsidiary of Seadrill) retaining the remaining 35% of pro forma equity in NSNCo, effecting a separation of NSNCo and its subsidiaries (including the Seabras Sapura assets and the SeaMex Group) from the Seadrill Group.

See also "Sale of shareholding in Paratus Energy Services Limited" below.

### **Chapter 11 Proceedings**

On 22 February 2022, the Seadrill Group concluded its comprehensive restructuring process and emerged from Chapter 11 bankruptcy protection. The following major changes to the Seadrill's Group capital structure were achieved through the restructuring:

- Additional USD 350 million of liquidity raised.
- Obligations under external credit facilities decreased from USD 5,662 million to USD 683 million of reinstated debt with maturity in 2027.
- Future obligations under finance lease arrangements in respect of the West Taurus, West Hercules and West Linus substantially eliminated.
- Release of Seadrill's existing guarantees over the Senior Secured Notes.

The Seadrill Group emerged from bankruptcy with cash of USD 486 million, of which USD 335 million was unrestricted and USD 151 million was restricted. The Seadrill Group also had USD 125 million undrawn on its new revolving credit facility which together with the unrestricted cash provided USD 460 million of liquidity to Seadrill. Following emergence, the Seadrill Group had total debt obligations of USD 908 million. This comprised USD 683 million outstanding on reinstated credit facilities, USD 175 million drawn on its new term loan, and a USD 50 million convertible bond (see Section 5.5.2 ("Rights to shares")).

### **West Linus lease arrangement**

On 19 February 2022, the Seadrill Group signed a transition agreement with Ship Finance International Limited ("SFL") pursuant to which the West Linus rig will be delivered back to SFL upon assignment of the ConocoPhillips drilling contract to SFL, and such redelivery took place on 30 September 2022. Seadrill has been leasing the harsh environment jack-up rig, West Linus, from SFL, which had been accounted for as a failed sale leaseback due to contractual purchase obligations in the original charter, resulting in Seadrill recognizing the rig asset on its balance sheet and fair value of the liability to SFL for future bareboat payments within LSTC. The Chapter 11 Proceedings afforded Seadrill the option to reject or amend the lease.

### **Rig disposal**

On 19 January 2022, the West Venture was sold for scrapping to Rota Shipping Inc. for USD 6.5 million. On 7 April 2022, the Seadrill Group sold the Sevan Driller and Sevan Brasil to New Fortress Energy for USD 18 million and USD 6 million, respectively. The West Capella and West Vela were redelivered to their owner, Aquadrill on 12 March 2022 and 24 March 2022 respectively and the West Bollsta was redelivered to its owner, Northern Ocean on 19 March 2022.

### **The Jack-up Sale**

The Jack-up Sale was completed on 18 October 2022. See Section 5.2.2 ("The Seadrill Group's fleet") for a description of the Jack-up Sale.

### **Sale of shareholding in Paratus Energy Services Limited**

On 30 September 2022, the Seadrill Group entered into a binding share purchase agreement for the sale of its entire remaining 35% shareholding in PES (formerly NSNCo) and certain other interests. PES is the entity through which investments in SeaMex Group, Seabras Sapura and Archer Ltd are held. Completion of the sale was subject to customary closing conditions, including approval of competition authorities in relevant jurisdictions, and occurred on 24 February 2023. As a result of the sale, the Seadrill Group no longer holds any interest in SeaMex Group, Seabras Sapura, or Archer Ltd. In connection with the sale, on 14 March 2023, the Seadrill Group provided each of PES and SeaMex Holdings with a termination notice regarding (i) the Paratus MSA and (ii) the SeaMex MSA, respectively. The Paratus MSA will terminate effective 12 July 2023; and the SeaMex MSA will terminate effective 10 September 2023. Seadrill does not believe these terminations will have a material effect on the financial condition of Seadrill.

See also "NSNCo emergence" above.

## **The Merger**

Seadrill, Merger Sub and Aquadrill entered into the Merger Agreement on 22 December 2022. See Section 4 ("The Merger") for a description of the Merger.

### **5.3.2 Financial position**

There have been no significant changes in the Seadrill Group's financial position following 30 September 2022 other than the below described events.

#### **Completion of the Jack-up Sale and payments of debt**

The Seadrill Group received USD 670 million in respect to the Jack-up Sale. On 18 October 2022, and in connection with the Jack-up Sale, the Seadrill Group made a mandatory payment of USD 204 million under its secured second lien debt facility. The payment was comprised of USD 192 million in debt principal, USD 10 million in exit fee, and USD 2 million in accrued interest. Furthermore, on 14 November 2022, the Seadrill Group made a voluntary payment of USD 269 million under its second lien debt facility. This payment was comprised of USD 250 million in debt principal, USD 13 million in exit fee, and USD 6 million in accrued interest. On 10 February 2023, Seadrill made a voluntary payment of USD 118 million under its second lien debt facility. This payment was comprised of USD 110 million in debt principal, USD 6 million in exit fee, and USD 2 million in accrued interest. On 15 March 2023, Seadrill made a voluntary payment of USD 44 million under its second lien debt facility. This payment was comprised of USD 40 million in debt principal, USD 2 million in exit fee, and USD 2 million in accrued interest. As such, in total, post period Seadrill made payments under its second lien debt facility of USD 635 million, including USD 592 million in debt principal.

See Section 5.2.2 ("The Seadrill Group's fleet") for a description of the Jack-up Sale.

#### **Completion of the sale of the 35% shareholding in Paratus Energy Services Limited**

See Section 5.3.1 ("Operations and principal activities") above.

### **5.3.3 Trending outlook**

In 2020, the oil and gas industry faced significant uncertainty due to a substantial reduction in oil and gas prices caused by the pandemic, despite Brent prices stabilizing in previous years. However, production cuts by OPEC and non-OPEC members, along with effective vaccination campaigns, have had positive impacts on the industry, leading to a recovery in oil demand throughout 2021 and 2022. Nevertheless, uncertainty still persists in the market, primarily due to concerns over a possible global economic recession that could negatively impact future demand for offshore drilling services, driven by high global inflation. Consequently, there is uncertainty about the sustainability of the improvement in oil prices, and inflationary pressures may impact the cost base in Seadrill's industry, including personnel costs, and the prices of goods and services required to reactivate or operate rigs.

#### **Global benign-environment floaters**

In 2022, marketed utilization returned to pre-pandemic levels, mainly driven by higher demand. The drilling industry's efforts to recycle units and the completion of comprehensive balance sheet restructuring processes by several major drillers also played a part in supporting the supply-demand imbalance. However, continued capital discipline will be vital to maintain the market recovery. As of 31 December 2022, the drillship market has recovered at a faster rate than the semi-submersibles, with drillship utilization at around 89% compared to 72% for semi-submersibles. The increased demand has resulted in higher dayrates for drillships than semi-submersibles, leading to a greater improvement in the former's rates.

#### **Global harsh environment units**

Marketed utilization improved year on year in the harsh environment floater segment due to a better supply and demand balance. Harsh environment jackup utilization improved at a faster rate through 2022 closing the year at 92%. However, with limited incremental demand in 2023, further improvements in marketed utilization in both segments will be challenging.

#### **Global benign environment jackups**

Marketed utilization in the benign environment jackup segment improved through 2022 from 80% in 2021 to 81% with incremental demand from the Middle East and South East Asia coming to market in 2022. In spite of additional supply coming to the market,

there was an improvement in dayrates as incremental demand is greater than incremental supply. With limited benign environment jackup capacity available in the market, discipline in adding supply to the market will be critical to improved market trends through 2023.

#### 5.4 Board of directors, executive management and employees

##### 5.4.1 Board of directors

As of the date of this Exempted Document, the board of directors of Seadrill comprise the following members:

Name	Position in the board of directors
Julie Johnson Robertson .....	Chair
Jean Cahuzac.....	Board member
Mark McCollum.....	Board member
Jan Kjærviik.....	Board member
Andrew Schultz.....	Board member
Paul Smith .....	Board member
Ana Zambelli .....	Board member

Seadrill's registered business address at Park Place, 55 Par la Ville Road, Hamilton HM 11, Bermuda, serves as the address for the members of the board of directors in relation to their directorship of Seadrill.

Pursuant to the Merger Agreement, Seadrill has agreed to facilitate the addition of two persons designated by Aquadrill at the written direction of the Consenting Members holding at least a majority of Aquadrill Common Units held by all of the Consenting Members as of the date of the Merger Agreement (the "**Consenting Majority Members**") to Seadrill's board of directors, subject to Seadrill's board of directors reasonable and good faith determination that such individuals meet certain qualifications provided in the Merger Agreement. Seadrill's 2022 annual general meeting was held on 21 March 2023, at which Seadrill's shareholders approved the proposal to increase the size of Seadrill's board of directors from seven to nine directors and authorized the Seadrill board of directors to fill the two newly created vacancies. Pursuant to the Merger Agreement, Seadrill has agreed to appoint two persons designated by the Consenting Majority Members to fill such vacancies; however, as of the date of this Exempted Document, no such designees have been approved by Seadrill's board of directors, and there can be no assurances that any designees will be appointed to Seadrill's board of directors.

Subject to the successful appointment of the two Aquadrill designees, it is expected that the Combined Company's board of directors will consist of nine directors:

Name	Position in the board of directors
Julie Johnson Robertson .....	Chair
Jean Cahuzac.....	Board member
Mark McCollum.....	Board member
Jan Kjærviik.....	Board member
Andrew Schultz.....	Board member
Paul Smith .....	Board member
Ana Zambelli .....	Board member
Aquadrill designee.....	Board member
Aquadrill designee.....	Board member

To Seadrill's knowledge, there are at the date of this Exempted Document no actual or potential conflicts of interest between the private interests or other duties of any of the above listed persons and their duties towards Seadrill.

#### 5.4.2 Executive management

The Seadrill Group's key employees within the Seadrill Group's affiliates who are responsible for overseeing the management of the Seadrill Group's business consists of six individuals listed in the below table. Seadrill's board of directors has organized the provision of management services through Seadrill Management, being one of the Seadrill 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.

<b>Name</b>	<b>Position in the executive management</b>
Simon William Johnson, .....	President and Chief Executive Officer
Grant Russel Creed .....	Executive Vice President and Chief Financial Officer
Leif Olaf Nelson .....	Executive Vice President, Chief Operating and Technology Officer
Torsten Sauer-Petersen.....	Executive Vice President, Human Resources
Samir Ali.....	Executive Vice President, Chief Commercial Officer
Todd Strickler.....	Senior Vice President and General Counsel

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.

No changes to the composition of the Seadrill Group's management team are expected made as a result of the Merger.

To Seadrill's knowledge, there are at the date of this Exempted Document no actual or potential conflicts of interest between the private interests or other duties of any of the above listed persons and their duties towards Seadrill.

#### 5.4.3 Employees

As of 28 February 2023, the Seadrill Group had around 2,590 employees (including contracted-in staff, but not counting employees of the SeaMex Group).

### 5.5 Share capital, shareholders, rights to shares and regulatory disclosures

#### 5.5.1 Major shareholders

Shareholders owning 5% or more of Seadrill's issued common shares have an interest in Seadrill's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. As of the date of this Exempted Document, Seadrill is not aware of any shareholder (being beneficial owners of the shares) who holds more than 5% of Seadrill's issued common shares, other than those listed in the table below.

<b>#</b>	<b>Name</b>	<b>Number of Seadrill Common Shares</b>	<b>In percentage<sup>1</sup></b>
1	Certain funds for which Polus Capital Management Limited serves as investment manager <sup>2</sup> .....	5,448,098	10.9%
2	Støperigata Holding AS .....	4,000,000	8.0%
3	The Export-Import Bank of Korea <sup>4</sup> .....	3,811,295	7.6%
4	Korea Trade Insurance Corporation <sup>5</sup> .....	3,589,441	7.2%
	<b>Total .....</b>	<b>16,848,834</b>	<b>33.7%</b>

<sup>1</sup> Based on 49,999,998 Seadrill Common Shares issued and outstanding as of 22 March 2023.

<sup>2</sup> According to the Schedule 13G filed with the SEC by Polus Capital Management Limited and Polus Capital Management Group Limited (together, "**Polus Capital**") on 9 January 2023, certain funds for which Polus Capital Management Limited serves as investment manager hold 5,448,098 Seadrill Common Shares. The principal business address of Polus Capital is 62 Buckingham Gate SW1E 6AJ London UK.

<sup>3</sup> According to an announcement published on NewsWeb on 9 March 2023, the shareholder holds 4,000,000 Seadrill Common Shares.

<sup>4</sup> According to the Schedule 13G filed with the SEC by The Export-Import Bank of Korea on 31 January 2023, The Export-Import Bank of Korea holds 3,811,295 Seadrill Common Shares. The principal business address of The Export-Import Bank of Korea is 38 Eunhaeng-ro, Yeongdeungpo-gu, Seoul 07242, Republic of Korea.

<sup>5</sup> According to the Schedule 13G filed with the SEC by Korea Trade Insurance Corporation on 31 January 2023, Korea Trade Insurance Corporation holds 3,589,441 Seadrill Common Shares. The principal business address of The Export-Import Bank of Korea is 14, Jong-ro, Jongno-gu, Seoul, Republic of Korea

## 5.5.2 Rights to shares

### **Management incentive plan**

Seadrill has implemented the Management Incentive Plan under which awards may be made to certain members of the Seadrill Group's management and other leading employees. The Management Incentive Plan is designed to align the interests of eligible participants with those of Seadrill's shareholders by providing long-term incentive compensation opportunities tied to the participants' continued services to the Seadrill Group and the performance of Seadrill and the Seadrill Common Shares. The Management Incentive Plan provides that Seadrill's board of directors' joint nomination and remuneration committee may make various equity awards to participants, including TRSUs (Time-vested Restricted Stock Units) and PRSUs (Performance Restricted Stock Units), provided that the Management Incentive Plan is limited to a total of 2,910,053 Seadrill Common Shares. To date, a total of 195,292 TRSUs and 360,476 PRSUs pursuant to the Management Incentive Plan have been granted. Vested TRSUs and PRSUs will be settled and issued, at the discretion of Seadrill's board of directors' joint nomination and remuneration committee, in cash or, subject to receiving the approval of the shareholders of Seadrill, Seadrill Common Shares.

### **Convertible bond**

In February 2022 as part of the Chapter 11 Proceedings, Seadrill issued USD 50 million of aggregate principal amount of an unsecured senior convertible bond to Hemen Holdings Ltd., with a final maturity in August 2028 (the "**Convertible Bond**"). The Convertible Bond bears interest of 6% per annum plus 3-month US LIBOR, which is payable quarterly in cash. The Convertible Bond may be converted into Seadrill Common Shares equal to an amount of 5.00% of the fully-diluted Seadrill Common Shares.

## 5.5.3 Regulatory disclosures

The table below sets out a short summary of information disclosed by Seadrill pursuant to Regulation (EU) No 596/2014 and the Norwegian Securities Trading Act. The table below only summarizes information Seadrill has disclosed in this regard during the 12 months' period prior to the date of this Exempted Document. Any defined terms used in the summary shall have the meaning ascribed to such term in this Exempted Document.

### **Category: "Interim financial statements"**

<b>Date disclosed</b>	<b>Title</b>	<b>Summary of the information given</b>
30 November 2022....	Seadrill Limited (SDRL) - Third Quarter 2022 Results – Issue of related documents	Further to the below described release of Seadrill's third quarter 2022 results, an announcement was made to provide the long-form quarterly earnings press release and Interim Financial Statements on Form 6-K.
30 November 2022....	Seadrill Limited (SDRL) - Third Quarter 2022 Results	Seadrill provided the financial results for the three months ended 30 September 2022, including Q3 highlights and subsequent events.
1 November 2022.....	Seadrill announces Notice of 3Q22 Earnings Release and Presentation	Seadrill announced that its 3Q22 earnings would be published on Wednesday 30 November 2022.
31 August 2022.....	Seadrill Limited (SDRL) - Second Quarter 2022 Results	Seadrill provided the financial results for the three months ended 30 June 2022. Total operating revenues of USD 284 million, operating profit of USD 25 million and adjusted EBITDA of USD 75 million, representing 26.4% EBITDA margin. Cash and cash equivalents of USD 468 million as at 30 June 2022 of which USD 336 million was unrestricted cash. During the period Seadrill added USD 940 million of Order Backlog, including new three-year firm term contracts for jackups West Ariel, West Cressida and West Leda, and three year



extensions for AOD I, AOD III and West Callisto, bringing Order Backlog to USD 3.1 billion as at 30 June 2022.

2 August 2022 .....	Notice of Q2 2022 Earnings Release and Presentation	Seadrill announced that its Q2 2022 earnings would be published post market close on Wednesday 31 August 2022.
25 May 2022 .....	Seadrill Limited (SDRL) - First Quarter 2022 Results	Seadrill provided the financial results for the quarter ended 31 March 2022.
25 May 2022 .....	Seadrill Limited (SDRL) - First Quarter 2022 Results	Seadrill provided the financial results for the quarter ended 31 March 2022.
10 May 2022 .....	SDRL - Notice of Q1 2022 Earnings Release and Presentation	Seadrill announced that its Q1 2022 earnings would be published on 25 May 2022, and that its executive management team would provide a live presentation.

**Category: "Annual financial statements"**

<b>Date disclosed</b>	<b>Title</b>	<b>Summary of the information given</b>
28 February 2023 .....	Seadrill provides update on proposed Aquadrill LLC acquisition	Seadrill announced that it had filed the Registration Statement with the SEC in connection with the issuance of Seadrill Common Shares in the Merger. Attached to the announcement was Seadrill's Report on Form 6-K filed with the SEC on 27 February 2023, which recasts Seadrill's financial statements as of 31 December 2021 and 31 December 2020 and for each of the three years ended 31 December 2021.
29 April 2022 .....	SDRL - Filing of 2021 Annual Report on Form 20-F	Seadrill announced that it had filed its annual report on Form 20-F for the year ended 31 December 2021 with the SEC.

**Category: "Prospectus and prospectus supplements"**

<b>Date disclosed</b>	<b>Title</b>	<b>Summary of the information given</b>
16 November 2022 .....	Seadrill Limited announces approval and publication of a prospectus supplement, and admission to trading on the Oslo Stock Exchange	Seadrill announced that the Financial Supervisory Authority of Norway had approved a prospectus supplement dated 16 November 2022 to the prospectus dated 27 April 2022. The prospectus supplement was prepared, inter alia, as a result of the approval by the board of directors of the Oslo Stock Exchange of Seadrill's application for admission to trading on the main list of the Oslo Stock Exchange, as announced by the Oslo Stock Exchange on 10 November 2022.
12 May 2022 .....	SDRL: Seadrill Limited announces approval and publication of a prospectus supplement	Seadrill informed that the Financial Supervisory Authority of Norway had approved a prospectus supplement dated 12 May 2022 to the prospectus dated 27 April 2022. The prospectus supplement was prepared due to Seadrill's publication of its audited consolidated financial statements as of and for the fiscal year ended 31 December 2021 on 29 April 2022.
27 April 2022 .....	SDRL: Seadrill Limited announces approval and publication of prospectus, and admission to trading on Euronext Expand	Seadrill informed that the prospectus prepared in connection with the listing of the Seadrill Common Shares on Euronext Expand has been approved by the Norwegian Financial Supervisory Authority, and that the first day of trading of the Seadrill Common Shares on Euronext Expand was expected to be on or about 28 April 2022.

**Category: "Additional regulated information required to be disclosed under the laws of a member state"**

<b>Date disclosed</b>	<b>Title</b>	<b>Summary of the information given</b>
21 March 2023 .....	Seadrill Limited - Results of the 2022 Annual General Meeting of Shareholders	Seadrill announced (i) that the 2022 Annual General Meeting of the shareholders of Seadrill had been held on 21 March 2023, and (ii) which resolutions had been passed by its shareholders at the 2022 Annual General Meeting.

16 March 2023 .....	Seadrill Limited - Information regarding 2022 Annual General Meeting	Seadrill announced that the board of directors of Seadrill had decided to withdraw its proposals to approve the Management Incentive Plan and amend the Bye-laws of Seadrill pending further consideration of the matters, as set out in the notice to the 2022 Annual General Meeting of Seadrill.
13 March 2023 .....	Seadrill Limited - Letter to Shareholders	Seadrill shared a letter to its shareholders in response to proxy advisory service recommendations in connection with the upcoming Annual General Meeting of Seadrill to be held on 21 March 2023.
8 March 2023 .....	Seadrill announces West Neptune extension	Seadrill announced that the West Neptune had executed approximately six months of term extensions with LLOG Exploration Offshore, L.L.C in the US Gulf of Mexico. Total contract value for the extension is approximately USD 79 million.
17 February 2023.....	SDRL - Notice of 2022 Annual General Meeting	Seadrill announced that the 2022 Annual General Meeting of the shareholders of Seadrill would be held in Bermuda on 21 March 2023.
25 January 2023 .....	SDRL - Change to Board of Directors	Seadrill announced the appointment of Ana Zambelli as a new director.
27 December 2022 ....	SDRL: 2022 Annual General Meeting of Shareholders	Seadrill informed that the 2022 Annual General Meeting would be held in Bermuda on 21 March 2023.
23 December 2022 ....	Seadrill Limited Announces Agreement to Acquire Aquadrill LLC in All-Stock Transaction	Seadrill announced the entry into of the Merger Agreement and the Merger (the Merger is further described in Section 4 ("The Merger")).
17 November 2022.....	Seadrill Limited commences trading on the Oslo Stock Exchange	Seadrill announced that it had successfully uplisted from Euronext Expand to the main list of Oslo Børs.
3 November 2022.....	Seadrill Limited Announces New Contract in Angola for Seadrill Joint Venture	Seadrill announced that a 12-well extension in Angola for the Libongos drillship at USD 402,500 per day had been secured by Sonadrill, Seadrill's 50:50 joint venture with an affiliate of Sonangol E.P.
21 October 2022 .....	Seadrill Limited announces sale of shareholding in Paratus Energy Services Limited	Seadrill announced that it had entered into binding share purchase agreements under which it would sell its entire 35% shareholding in PES and certain other interests.
18 October 2022 .....	Seadrill Limited Announces Completion of Jack-up Sale	Seadrill announced the completion of the Jack-up Sale.
17 October 2022 .....	Seadrill Limited Announces Change of Listing Status on Euronext Expand	Seadrill informed that due to the listing on the NYSE announced 11 October 2022, Seadrill had applied to change the status of its listing at Euronext Expand from a primary listing to a secondary listing, and the Oslo Stock Exchange has approved such application.
11 October 2022 .....	Seadrill Limited announces relisting on NYSE	Seadrill announced that it had received approval to relist its common shares on the NYSE under the ticker symbol "SDRL".
1 September 2022 .....	Seadrill Limited announces sale of seven jack-ups	Seadrill announced that it has entered into a binding share purchase agreement with ADES for the Jack-up Sale.
8 August 2022 .....	Seadrill Limited - Management Incentive Plan	Seadrill announced that its board of directors had approved the Management Incentive Plan.
22 June 2022.....	Seadrill Limited Announces Contract Extensions for AOD I,	Seadrill announced that it had been awarded contract extensions for the AOD I, AOD III and West Callisto for work offshore in the Arabian Gulf.

	AOD III and West Callisto Totalling MUSD 361	
15 June 2022.....	Change to the Board of Directors	Seadrill announced that the company had received the resignation of Karen Boesen as a director. The resignation was effective 17 June 2022. Ms. Boesen informed Seadrill that she had no disagreement with the Company on any matter, including its business, strategic initiatives, policies or practices.
28 April 2022.....	SDRL: Seadrill Limited commences trading on Euronext Expand	Seadrill announced that the Seadrill Common Shares had commenced trading on Euronext Expand.
28 April 2022.....	SDRL: Seadrill Limited Announces Contract Awards Totalling MUSD 404 for three jack-ups in the Middle East	Seadrill announced that it had been awarded three contracts by a leading operator for the West Ariel, West Cressida, and West Leda for work in the Middle East. The firm-term of each contract is three years with expected commencement between Q1 2023 and Q2 2023. Total contract value for the three contracts is approximately MUSD 404 (inclusive of mobilization revenue).
26 April 2022.....	SDRL: Seadrill Limited Announces Contract Awards Totalling MUSD 105	Seadrill announced new contract awards for the West Neptune and the Sevan Louisiana. The West Neptune had secured a four-well extension with two one-well options with LLOG Exploration Offshore, L.L.C in US Gulf of Mexico. The firm-term commenced in direct continuation of the existing contract, and has an estimated duration of 200 days and is expected to keep the rig busy until August 2023. Total contract value for the firm-term is approximately USD 71 million.  The Sevan Louisiana had secured a three-well extension with Talos Production, Inc. in US Gulf of Mexico. The extension has a minimum duration of 105 days and is an extension to the existing contract with Talos Production, Inc., which was set to commence in August 2022. Total contract value for the three-well extension is approximately USD 34 million.
25 April 2022.....	SDRL: New Contract in Angola for Seadrill Joint Venture	Seadrill announced that Sonadrill, Seadrill's 50:50 joint venture with an affiliate of Sonangol E.P., had secured a ten-well contract with options for up to eight additional wells in Angola for the West Gemini drillship.

**Category: " Major shareholding notifications"**

<b>Date disclosed</b>	<b>Title</b>	<b>Summary of the information given</b>
9 March 2023.....	SDRL - Disclosure of shareholding	Seadrill informed that Støperigata Holding AS now holds 4,000,000 shares in Seadrill, representing 8.00% of the share capital and votes in Seadrill.
9 February 2023.....	SDRL - Disclosure of shareholding	Seadrill announced that DNB ASA now holds 2,433,142 shares in Seadrill (representing approx. 4.87% of Seadrill's outstanding shares and votes).
29 December 2022....	Major Shareholding Disclosure - Seadrill Ltd	Seadrill informed that Bybrook Capital Master Fund LP, Bybrook Capital Hazelton Master Fund LP, Bybrook Capital Badminton Fund LP and Bybrook Capital Badminton 405 Fund LP, crossed a notifiable threshold and collectively now owned 5,051,882 shares of Seadrill, corresponding to 10.10% of the outstanding shares in the company.
9 November 2022.....	Seadrill Limited - Disclosure of large shareholdings	Seadrill informed that Nordea Bank Abp had on 8 November 2022 sold 512,909 shares in Seadrill. Following this transaction, Nordea Bank Abp owned 2,278,301 shares in Seadrill, which represented 4.56 % of the shares and votes of Seadrill.
9 August 2022.....	Notification of major holdings	Seadrill published a letter from Deutsche Bank AG London addressed to Oslo Børs/Oslo Axess informing of Deutsche Bank AG, of Winchester House, 1 Great Winchester Street, London, EC2N 2DB holding 4.78% of the voting rights in Seadrill.
14 July 2022.....	Notification of major holdings	Seadrill published a letter from Deutsche Bank AG London addressed to Oslo Børs/Oslo Axess informing of Deutsche Bank AG, of Winchester House, 1 Great Winchester Street, London, EC2N 2DB holding 5.18% of the voting rights in Seadrill.
4 May 2022.....	Notification of major holdings	Seadrill published a letter from Deutsche Bank AG London addressed to Oslo Børs/Oslo Axess informing of Deutsche Bank AG, of Winchester House, 1 Great Winchester Street, London, EC2N 2DB holding 7.87% of the voting rights in Seadrill.

29 April 2022 .....	Seadrill Limited – Disclosure of large shareholdings	Seadrill announced that Export Finance Norway, had on 28 April 2022 sold 8,829,997 shares in Seadrill to Støperigata Holding AS, representing approximately 17.659994 % of the total share capital in Seadrill, at a price of NOK 330 per share. Støperigata Holding AS is controlled by Export Finance Norway.
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## 5.6 Material investments and divestments

### 5.6.1 Material investments made following 30 September 2022

Other than the Merger, the Seadrill Group has not made any material investments following 30 September 2022. The consideration in the Merger will be settled with Seadrill Common Shares (i.e. the Merger Consideration).

### 5.6.2 Future investments and divestments

As of the date of this Exempted document, the Seadrill Group has no material investments in progress or for which firm commitments have been made other than the Merger. The Seadrill Group does not plan to (i) carry out any material divestments in connection with the Merger or following the effective date of the Merger, or (ii) perform any material cancellation of future investments or divestments previously announced.

## 5.7 Legal and arbitration proceedings

From time to time, companies in the Seadrill 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.

Set out below is information about ongoing material cases that the Seadrill Group is involved in. Seadrill believes that the resolution of ongoing cases will not have a significant effect on the Seadrill Group's financial position or profitability, either individually or in the aggregate.

### **Oro Negro**

The CEO of Perforadora Oro Negro, S. DE R.L. DE C.V ("**Oro Negro**"), a Mexican drilling rig contractor, filed a complaint personally and in his capacity as foreign representative of Oro Negro on 6 June 2019 in the United States Bankruptcy Court, Southern District of New York, within Oro Negro's Chapter 15 proceedings ancillary to its Mexican insolvency process. The complaint names Seadrill and its joint venture partner as co-defendants along with other defendants including Oro Negro bondholders. With respect to Seadrill, the complaint asserts claims relating to alleged tortious interference but does not seek to quantify damages. On 25 August 2019, Seadrill submitted a motion to dismiss the complaint on technical legal grounds. Oro Negro responded to this motion on 25 October 2019. The Seadrill Group has the opportunity to reply to this in further support of the motion, the date of which has not yet been determined. Seadrill intends to vigorously defend against the claims Oro Negro asserts and dispute the allegations set forth in the complaint. The proceedings have been stayed since March 2020. On 6 August 2021 the United States Bankruptcy Court was notified that the auction of Oro Negro's assets was approved by the Mexican Concurso court. The stay in the bankruptcy proceeding will continue while a purchase is agreed.

### **Nigerian Cabotage Act litigation**

Seadrill Mobile Units Nigeria Ltd ("**SMUNL**") commenced proceedings in May 2016 against the Honourable Minister for Transportation, the Attorney General of the Federation and the Nigerian Maritime Administration and Safety Agency ("**NMASA**") with respect to interpretation of the Coastal and Inland Shipping (Cabotage) Act 2003 (the "**Cabotage Act**"). SMUNL is an Aquadrill entity which is the litigating party on behalf of both Aquadrill and Seadrill as the litigation relates to the West Capella (an Aquadrill rig) and the West Saturn and West Jupiter (Seadrill rigs). On 14 June 2019, the Federal High Court of Nigeria delivered a judgement finding that: (1) Drilling operations fall within the definition of "Coastal Trade" or "Cabotage" under the Act and (2) Drilling Rigs fall within the definition of "Vessels" under the Cabotage Act. On the basis of this decision, SMUNL and Seadrill were required to deduct 2% of their contract value and remit the same to NMASA and SMUNL was required to register for Cabotage with NMASA and pay all fees and tariffs as may be published in the guidelines that may be issued by the Minister of Transportation in accordance with the Cabotage Act. SMUNL filed an urgent notice of appeal to the Court of Appeal in July 2019 together with a request for an

injunction restraining the authorities from any enforcement of the Cabotage Act pending appeal. Due to the volume of cases currently being handled by the Court of Appeal sitting in Lagos, the Group anticipates a decision within three to five years.

Although the Seadrill Group intend to strongly pursue such appeal, it cannot predict the outcome of this case. The Seadrill Group do not believe that it is probable that the ultimate liability, if any, resulting from this litigation will have a material effect on its financial position.

### ***Lava Jato***

The Brazilian markets have experienced heightened volatility in recent years due to the uncertainties derived from the ongoing investigations being conducted by the Office of the Brazilian Federal Prosecutor, the Brazilian Federal Police, the Brazilian Securities Commission (Comissão de Valores Mobiliários), the Securities and Exchange Commission, the U.S. Department of Justice, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) and other Brazilian and foreign public authorities, including the largest such investigation known as Lava Jato, and the impact that such investigations have on the Brazilian economy and political environment. Numerous elected officials, public servants and executives and other personnel of large and state-owned companies have been subject to investigation, arrest, criminal charges and other proceedings in connection with allegations of political corruption, including the acceptance of bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies, among others. The profits of these kickbacks allegedly financed the political campaigns of political parties that were unaccounted for or not publicly disclosed and served to personally enrich the recipients of the bribery scheme.

On 23 September 2020, Seadrill's subsidiary Seadrill Serviços de Petróleo, Ltda was served with a search and seizure warrant from the Federal Police in Rio de Janeiro, Brazil as part of the phase of Operation Lava Jato relating to individuals formally associated with Seadrill Serviços. At this time, Seadrill understands that this investigation has been closed.

Individuals who have had commercial arrangements with the Seadrill Group have been identified in the Lava Jato investigations and the investigations by the Brazilian authorities are ongoing. The outcome of certain of these investigations is uncertain, but they have already had an adverse impact on the business, image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. The Seadrill Group cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials or executives will arise in the future. The Seadrill Group also cannot predict the outcome of any such allegations on the Brazilian economy, and the Lava Jato investigation including its recent phases, could adversely affect the Seadrill Group's business and operations.

### ***Statement of claim from SFL Hercules Ltd.***

On 5 March 2023, Seadrill was served with a claim from SFL Hercules Ltd., filed in the Oslo District Court in Norway, relating to the redelivery of the rig West Hercules to SFL in December 2022. In its petition, SFL claims that the rig was not redelivered in the condition required under Seadrill's contract with SFL and seeks damages in the amount of approximately NOK 300 million (approximately USD 28 million). The Seadrill Group is currently assessing the claim and intend to vigorously defend its position. At this time, the Seadrill Group is unable to determine an amount or range of possible loss, if any.

## **5.8 Working capital statement**

Seadrill is of the opinion that its working capital is sufficient for its present requirements.

## **5.9 Public takeover bids**

Seadrill has not been subject to any public takeover bids by any third party during the last financial year or during the current financial year.

## **6 BUSINESS OVERVIEW – AQUADRILL**

*This Section provides an overview of the business of the Aquadrill Group as of the date of this Exempted Document unless otherwise indicated. The following discussion contains forward-looking statements that reflect the Aquadrill Group's plans and estimates and should be read in conjunction with Section 3.1 "Cautionary note regarding Forward-looking Statements" and the other parts of this Exempted Document, in particular Section 1 "Risk factors".*

### **6.1 Corporate information**

Aquadrill is a Marshall Islands limited liability company, incorporated on 28 June 2012 under the laws of Marshall Islands under the name Seadrill Partners LLC. The registration number of Aquadrill in the Registrar of Corporations of the Republic of the Marshall Islands is 962166.

Aquadrill's registered office is at Trust Company Complex, Ajeltake Island, Ajeltake Road, Majuro, Marshall Islands MH 96960. Aquadrill's principal executive offices are located at 4th Floor, Reading Bridge House, George Street, Reading, United Kingdom, RG1 8LS, and its telephone number is +44 7765 227 902. Aquadrill's website address is [www.aquadrilloffshore.com](http://www.aquadrilloffshore.com). The content of [www.aquadrilloffshore.com](http://www.aquadrilloffshore.com) is not incorporated by reference into this Exempted Document, nor does it in any other manner constitute a part of this Exempted Document.

Aquadrill is a holding company and the ultimate parent company of the Aquadrill Group.

### **6.2 Overview of the Aquadrill Group's operations**

#### *6.2.1 Introduction*

Aquadrill is a holding company which owns offshore drilling rigs available to the oil and gas industry. The Aquadrill Group's primary business is the ownership of drillships, semi-submersible rigs and tender rigs available for operations in shallow to ultra-deepwater areas in both benign and harsh environments.

Aquadrill competes in a single, global operating segment, which involves contracting Aquadrill's mobile offshore drilling fleet and related equipment primarily on a dayrate and bareboat charter basis to drill wells for its customers, typically oil super-majors, national oil companies, independent oil and gas companies and other drilling contractors as a bareboat charter. To operate its rigs, Aquadrill has contracted with reputable service providers who are recognized for providing high quality operations in some of the most challenging sectors of offshore drilling. In the view of Aquadrill, Aquadrill's drilling fleet is one of the most versatile fleets in the world, consisting of drillships, semi-submersible and tender rigs used in support of offshore drilling activities and offshore support services on a worldwide basis.

Aquadrill's drilling rig fleet is deployed in geographically dispersed oil and gas exploration and development areas throughout the world. Although rigs can be moved from one region to another, the cost of moving rigs and the availability of rig-moving vessels may cause the supply and demand balance to fluctuate somewhat between regions. Still, significant variations between regions do not tend to persist long term because of rig mobility. Aquadrill's fleet is deployed in a single, global market for the provision of contract drilling services. The location of Aquadrill's rigs and the allocation of its resources are determined by the activities and needs of its customers.

During the last financial year, the Aquadrill Group has continued to provide offshore drilling units to the oil and gas industry, with several new charter hire agreements having been entered into. On 4 March 2022, Aquadrill entered into a charter hire agreement with a subsidiary of Diamond Offshore Drilling, Inc. to provide the Vela for a one well drilling contract plus one well priced option for operations in the U.S. Gulf of Mexico, and an extension of the charter hire agreement was announced on 31 August 2022. On 31 May 2022, Aquadrill announced agreements with a subsidiary of Vantage Drilling International and with a subsidiary of Energy Drilling Management, respectively. On 11 August 2022, Aquadrill announced an agreement with a subsidiary of Diamond Offshore Drilling, Inc. to extend the charter hire agreement for the Auriga in the U.S. Gulf of Mexico for a one year mutually agreed option in the current underlying drilling contract. On 22 November 2022, Aquadrill announced a charter hire agreement to provide the Capella for a four firm well contract plus two priced and three mutually agreed optional wells for operations in Indonesia.

### 6.2.2 *The Fleet*

Aquadrill believes its fleet is comparatively one of the youngest and most modern of all the major offshore drilling contractors with an average fleet age of approximately 11.3 years. The Aquadrill Group currently owns and operates a fleet of eight drilling units, including four drillships, one semi-submersible drilling rig and three tender rigs.

#### **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. 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 80 or more people.

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

Semi-submersibles are self-propelled drilling rigs 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 80 or more people.

#### **Tender rigs**

Tender rigs are self-erecting rigs which conduct production drilling from fixed or floating platforms. During drilling operations, the tender rig is moored next to the platform. The modularized drilling package, stored on the deck during transit, is lifted prior to commencement of operations onto the platform by the rig's integral crane. To support the operations, the tender rig contains living quarters, a helicopter deck, storage for drilling supplies, power machinery for running the drilling equipment and well completion equipment. There are two types of self-erecting tender rigs, barge type and semi-submersible (semi-tender) type. Tender barges and semi-tenders are equipped with similar equipment, but the semi-tenders' hull structure allows the unit to operate in rougher weather conditions. Tender rigs allow for drilling operations to be performed from platforms without the need for permanently installed drilling packages, and typically operate in water depths of up to 6,500 feet. Self-erecting tender rigs generally operate with crews of 40 or more people.

### 6.2.3 *Markets and segments*

The Aquadrill Group operates globally, with operations geographically dispersed in oil and gas exploration and development areas throughout the world. The Aquadrill Group operates in a single, global offshore drilling market, as its drilling rigs are mobile assets and are able to be moved according to prevailing market conditions. The primary markets for benign environment floaters are the Gulf of Mexico and Southeast Asia. Harsh environment floaters typically work in the North Sea and Canada. The primary markets for tender rigs are Southeast Asia and West Africa.

The Aquadrill Group regards its fleet as one single operating segment. The Chief Operating Executive, which is the Chief Executive Officer, reviews performance at this level as an aggregated sum of assets, liabilities and operating income.

#### *Segment information derived from the Aquadrill 2021 Annual Financial Statements and the Aquadrill Interim Financial Statements*

The table below sets out the Aquadrill Group's revenues by geographic area. Revenues are attributed to geographical area based on the country of operations for drilling activities i.e. the country where the revenues are generated. The reader should note that Aquadrill emerged from Chapter 11 proceedings on 24 May 2021, and that the financial figures for the year ended 31 December 2021 therefore are split between revenues generated by the predecessor entity of Aquadrill (as predecessor) and Aquadrill (as successor).

(In USD millions)

	Nine months ended 30 September 2022	Year ended 31 December 2021	
		Period from 25 May 2021 through 30 September 2021 (Successor)	Period from 1 January 2021 through 24 May 2021 (Predecessor)
United States.....	43.5	0.9	34.9
Malaysia.....	15.4	19.6	20.0
Thailand.....	1.1	--	--
Indonesia.....	16.4	--	--
<b>Total.....</b>	<b>76.4</b>	<b>20.5</b>	<b>54.9</b>

### 6.3 Significant changes and trends

#### 6.3.1 Operations and principal activities

The following significant changes, having an impact on the operations and principal activities of Aquadrill, have occurred since 31 December 2021:

##### **Sales of drilling units**

On 2 February 2022, the Aquadrill Group completed the USD 14 million sale of the Leo, a semi-submersible drilling unit, to a subsidiary of BW Energy. The rig is expected to be repurposed as a Floating Production Unit, thereby removing the rig from the drilling market. Under the terms of the agreement governing the sale, if the unit is used to perform drilling services in the future, liquidated damages of USD 50,000 for each day the unit is used to perform such services will apply, up to a maximum of USD 6 million. Additionally, if within the first two years of the closing of the sale of the unit and if the unit is sold on terms which do not exclude the use of the unit for drilling purposes, and the resale price exceeds USD 15 million, BW Energy will be obligated to pay the Aquadrill Group 50% of the amount by which the resale price exceeds USD 15 million. Certain pieces of capital equipment belonging to the unit were excluded from the sale including but not limited to the blowout preventer, top drive and travelling block, which became part of the Aquadrill Group's capital spares inventory.

On 8 April 2022, the Aquadrill Group entered into a memorandum of understanding for the sale of a semi-submersible drilling unit, the Capricorn, with all spare parts, inventory and equipment on board or onshore and belonging to the Capricorn, with a subsidiary of Petro Rio S.A. for USD 40 million. A sale and purchase agreement was later entered into, and completion of the transaction occurred on 22 July 2022.

On 19 September 2022, the Aquadrill Group entered into a memorandum of understanding for the sale of the tender assisted drilling rigs T-15, T-16 and Vencedor, with all spare parts, inventory and equipment on board or onshore and belonging to the rigs, with Energy Drilling PTE. LTD for USD 74.4 million. The sale and purchase of the three tender assisted drilling rigs is subject to the negotiation and execution of mutually acceptable sale and purchase agreements and the successful completion of a capital raise by Energy Drilling PTE. LTD through a private placement for the aggregate purchase price. The memorandum of understanding for the sale of these rigs expired in December 2022.

##### **The Merger**

Seadrill and Aquadrill entered into the Merger Agreement on 22 December 2022. See Section 4 ("The Merger") for a description of the Merger.

#### 6.3.2 Financial position

There have been no significant changes in the Aquadrill Group's financial position following 30 September 2022.



### 6.3.3 Trending outlook

See Section 5.3.3 ("Trending outlook") above.

## 6.4 Board of directors, executive management and employees

### 6.4.1 Board of Directors

As of the date of this Exempted Document, the board of directors of Aquadrill comprises the following members:

<b>Name</b>	<b>Position in the board of directors</b>
Steven L. Newman.....	Director <sup>1</sup>
Alan S. Bigman.....	Director
John Bishop.....	Director
Daniel C. Herz.....	Director
N. John Lancaster, Jr.....	Director

<sup>1</sup> Steven L. Newman is also the CEO of Aquadrill.

Members of Aquadrill's board of directors collectively hold a total of 122,104 Aquadrill RSUs. For more information on the Aquadrill Equity Awards held by Aquadrill's directors, please see Section 4.7 ("Interests of certain persons in the Merger").

Aquadrill's registered business address, Regus, 1, Trafalgar Square, #2101 Northumberland Avenue, London, WC2N 5BW, serves as the address for the members of the board of directors in relation to their directorship of Aquadrill.

### 6.4.2 Executive Management

The executive management of Aquadrill comprises the following individuals:

<b>Name</b>	<b>Position in the Executive Management</b>
Steven L. Newman.....	CEO <sup>1</sup>
John T. Roche.....	Managing Director

<sup>1</sup> Steven L. Newman is also a director on Aquadrill's board of directors. Pursuant to the Merger Agreement, as of immediately prior to the Effective Time, he will receive the Aquadrill Sale Bonus. For more information on the Aquadrill Sale Bonus, please see Section 4.5.3 ("Aquadrill Sale Bonus").

Aquadrill's registered business address, Regus, 1, Trafalgar Square, #2101 Northumberland Avenue, London, WC2N 5BW, serves as the business address for the members of the executive management.

### 6.4.3 Employees

As of 28 February 2023, the Aquadrill Group had around 9 employees. The table below summarizes the number of Aquadrill Equity Awards held by certain employees and consultants of Aquadrill:

<b>Name</b>	<b>Number of Aquadrill PARs</b>	<b>Number of Aquadrill PUs</b>
John Briscoe.....	185,000	36,000
Barry Smith.....	170,000	27,000
John Roche.....	90,000	27,000
Emma Li.....	50,000	7,500
Barry Hamilton.....	35,000	2,700
Nina Alexander.....	40,000	5,500

## 6.5 Share capital, unitholders, equity awards and regulatory disclosures

### 6.5.1 Major unitholders

As of the date of this Exempted Document, Aquadrill is not aware of any person who holds more than 5% of the Aquadrill Common Units, other than those listed in the table below.

#	Name	Number of Aquadrill Common Units	In percentage <sup>1</sup>
1	Elliott Investment Management L.P. <sup>2</sup>	5,246,760	26.23%
2	Canyon Capital Advisors LLC / Canyon CLO Advisors LP <sup>3</sup>	3,584,523	17.92%
3	Sculptor Capital LP <sup>4</sup>	3,511,496	17.56%
4	GoldenTree Asset Management LP <sup>5</sup>	2,556,131	12.78%
	<b>Total</b>	<b>14,898,910</b>	<b>74.49%</b>

<sup>1</sup> Based on 20,000,000 Aquadrill Common Units issued and outstanding as of 22 March 2023.

<sup>2</sup> Units in Aquadrill are held directly by Elliott International, L.P. ("**Elliott International**") and Elliott Associates, L.P. ("**Elliott Associates**"). Elliott Investment Management L.P., a Delaware limited partnership ("**EIM**") is the investment manager of Elliott Associates and Elliott International. The general partner of EIM is Elliott Investment Management GP LLC, a Delaware limited liability company ("**EIM GP**"). Paul E. Singer is the sole managing member of EIM GP. Paul E. Singer disclaims any beneficial ownership of the securities listed above other than to the extent of any pecuniary interest Paul E. Singer may have therein, directly or indirectly.

<sup>3</sup> Units in Aquadrill are held directly by funds or other investment vehicles managed or advised by Canyon Capital Advisors LLC, Canyon CLO Advisors LP or an affiliated investment adviser.

<sup>4</sup> Units in Aquadrill are held directly by subsidiaries, funds or other investment vehicles managed or advised by Sculptor Capital LP or an affiliated or related investment manager or investment adviser.

<sup>5</sup> This amount does not include 2,223 Aquadrill Common Units sold prior to 22 March 2023 that have not yet settled. Units in Aquadrill are held directly by subsidiaries, funds or other investment vehicles managed or advised by GoldenTree Asset Management LP or an affiliated or related investment manager or investment adviser.

### 6.5.2 Regulatory disclosures

Regulation (EU) No 596/2014 does not apply to Aquadrill, and Aquadrill has consequently not made any disclosures pursuant to Regulation (EU) No 596/2014.

## 6.6 Material investments

The Aquadrill Group has not made any material investments following 30 September 2022. As of the date of this Exempted document, the Aquadrill Group has no material investments in progress or for which firm commitments have been made.

## 6.7 Legal and arbitration proceedings

From time to time Aquadrill is a party, as plaintiff or defendant, to lawsuits in various jurisdictions in the ordinary course of business or in connection with its acquisition or disposal activities.

### **Nigerian Cabotage Act litigation**

Aquadrill Mobile Units (Nigeria) Limited (Successor), formerly known as SMUNL (Predecessor) commenced proceedings in May 2016 against the Honourable Minister for Transportation, the Attorney General of the Federation and NMASA with respect to interpretation of the Cabotage Act. On 28 June 2019, the Federal High Court of Nigeria delivered a judgement finding that: (1) Drilling operations fall within the definition of "Coastal Trade" or "Cabotage" under the Act and (2) Drilling Rigs fall within the definition of "Vessels" under the Cabotage Act. The impact of this decision is that NMASA may impose a 2% surcharge on contract revenue from offshore drilling operations in Nigeria as well as requiring SMUNL register for Cabotage with NMASA and pay all fees and tariffs as may be published in the guidelines that may be issued by the Minister of Transportation in accordance with the Cabotage Act. However, on 22 July 2019, SMUNL filed an appeal to the Court of Appeal challenging the decision of the Federal High Court. Due to the volume of cases currently being handled by the Court of Appeal sitting in Lagos Aquadrill anticipates a decision within three to five years.

Although Aquadrill intends to strongly pursue this appeal, Aquadrill cannot predict the outcome of this case. Aquadrill does not believe that it is probable that the ultimate liability, if any, resulting from this litigation will have a material effect on its financial

position and results of operations and cash flows. Accordingly, no loss contingency has been recognized within its financial statements.

Aquadrill is not aware of any other legal proceedings or claims that it expects to have, individually or in the aggregate, a material adverse effect on Aquadrill.

## 7 UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

### 7.1 Basis of pro forma presentation

The following unaudited pro forma condensed consolidated financial information of Seadrill and the accompanying explanatory notes (the Pro Forma Financial Information) have been prepared to illustrate the effects of the Merger described in Section 4 ("The Merger"). The Merger is accounted for as a business combination pursuant to Accounting Standards Codification ("**ASC**") Topic 805, Business Combinations ("**ASC 805**"), where Seadrill is the accounting acquirer as disclosed in Note 2 in Section 7.5 ("Notes to the Pro Forma Financial Information").

The Pro Forma Financial Information also reflects the impact of the following transactions that have been completed since 1 January 2021, but have not been included in the results of operations for the Pro Forma Financial Information (collectively, the "**Completed Transactions**"):

#### Seadrill Completed Transactions:

- **Seadrill Reorganization:** On 22 February 2022 (the "**Effective Date**"), Seadrill concluded its comprehensive restructuring process and emerged from bankruptcy reorganization under Chapter 11 (the "**Seadrill Reorganization**").
- **Paratus Energy Services Limited Sale:** The sale of Seadrill's 65% equity interest in PES, completed on 20 January 2022, and the sale of Seadrill's remaining 35% equity interest in PES, completed on 24 February 2022. Both sales are described in Section 5.3.1 ("Operations and principal activities"), and collectively referred to as the "**PES Sale**".
- **The Jack-up Sale:** See Section 5.2.2 ("The Seadrill Group's fleet").

#### Aquadrill Completed Transactions:

- **Aquadrill Reorganization:** On 24 May 2021, Aquadrill concluded its comprehensive restructuring process and emerged from bankruptcy reorganization under Chapter 11 (the "**Aquadrill Reorganization**").

For further information on the adjustments for the Completed Transactions for Seadrill Statements of Operations, Seadrill Balance Sheet and Aquadrill Statement of Operations, refer to Note 6, 7, and 8 in Section 7.5 ("Notes to the Pro Forma Financial Information"), respectively.

The Pro Forma Financial Information has been prepared under the following assumptions:

- The unaudited pro forma condensed consolidated statement of operations for the nine months ended 30 September 2022 and the year ended 31 December 2021 assumes that the Merger and Completed Transactions had occurred on 1 January 2021.
- The unaudited pro forma condensed consolidated balance sheet as of 30 September 2022, assumes that the Merger, the PES Sale and Jack-up Sale had occurred on 30 September 2022. The impacts from the Seadrill Reorganization and Aquadrill Reorganization have already been reflected in the historical consolidated balance sheets of both Seadrill and Aquadrill as of 30 September 2022 and therefore no pro forma balance sheet adjustments were made.

The Pro Forma Financial Information presented herein is provided for informational and illustrative purposes only and is not necessarily indicative of the financial results that would have been achieved had the Merger and the Completed Transactions occurred on the dates assumed, nor is this Pro Forma Financial Information necessarily indicative of the operations results in future periods. The pro forma adjustments are based on currently available information and certain assumptions that Seadrill believes are reasonable and factually supportable. The Pro Forma Financial Information should be read in conjunction with the following:

- The unaudited historical consolidated financial statements and notes of Seadrill included in the Seadrill Interim Financial Statements.

- The audited historical consolidated financial statements and notes of Seadrill included in Seadrill's Report on Form 6-K filed with the SEC on 27 February 2023, which recasts Seadrill's financial statements as of 31 December 2021 and 31 December 2020 and for each of the three years ended 31 December 2021.
- The unaudited historical consolidated financial statements and notes of Aquadrill included in the Aquadrill Interim Financial Statements.
- The historical audited consolidated financial statements and notes of Aquadrill included in the Aquadrill 2021 Annual Financial Statements and the Aquadrill 2020 Annual Financial Statements.

PwC has prepared a report on the Pro Forma Financial Information, which is attached to this Exempted Document as [Appendix A](#).

## 7.2 Unaudited pro forma condensed consolidated statement of operations for the nine months period ended 30 September 2022

	Seadrill Historical		Aquadrill Historical (Note 3)	Seadrill Historical Pro forma Adjustments (Note 6)	Transaction Accounting Pro forma Adjustments	Note	Pro Forma Combined
	Predecessor Company from 1 January 2022 through 22 February 2022	Successor Company from 23 February 2022 through 30 September 2022					
<i>(In USD millions, except per share data)</i>							
<b>Operating revenues .....</b>							
Contract revenues .....	124	435	126	—	—		685
Reimbursable revenues .....	4	21	5	—	—		30
Management contract revenues .....	36	140	—	—	(4)	4a	172
Other revenues .....	5	19	—	—	—		24
<b>Total operating revenues ....</b>	<b>169</b>	<b>615</b>	<b>131</b>	<b>—</b>	<b>(4)</b>		<b>911</b>
<b>Operating expenses .....</b>							
Vessel and rig operating expenses .....	(76)	(323)	(166)	(15)	4	4a	(576)
Reimbursable expenses .....	(4)	(18)	(4)	—	—		(26)
Depreciation .....	(17)	(68)	(11)	4	(36)	4b	(128)
Amortization of intangibles .....	—	(22)	—	(2)	4	4c	(20)
Management contract expense .....	(31)	(98)	—	—	—		(129)
Selling, general and administrative expenses .....	(6)	(42)	(13)	—	—		(61)
<b>Total operating expenses ....</b>	<b>(134)</b>	<b>(571)</b>	<b>(194)</b>	<b>(13)</b>	<b>(28)</b>		<b>(940)</b>
<b>Other operating items .....</b>							
Gain on disposals .....	2	1	27	—	—		30
<b>Total other operating items</b>	<b>2</b>	<b>1</b>	<b>27</b>	<b>—</b>	<b>—</b>		<b>30</b>
<b>Operating profit/(loss) .....</b>	<b>37</b>	<b>45</b>	<b>(36)</b>	<b>(13)</b>	<b>(32)</b>		<b>1</b>

<b>Financial and other non-operating items</b> .....							
Interest income.....	—	7	—	—	—		7
Interest expense.....	(7)	(73)	—	10	—		(70)
Share in results from associated companies (net of tax) .....	(2)	(7)	—	11	—		2
Gain on derivative financial instruments.....	1	11	—	—	—		12
Foreign exchange (loss)/gain .	8	(9)	(1)	—	—		(2)
Reorganization items, net .....	3,683	(12)	—	(3,671)	—		—
Other financial items.....	21	(2)	1	(24)	—		(4)
<b>Total financial and other non-operating items, net ....</b>	<b>3,704</b>	<b>(85)</b>	<b>—</b>	<b>(3,674)</b>	<b>—</b>		<b>(55)</b>
<b>(Loss)/profit before income taxes</b> .....	<b>3,741</b>	<b>(40)</b>	<b>(36)</b>	<b>(3,687)</b>	<b>(32)</b>		<b>(54)</b>
Income tax expense.....	(2)	(10)	5	—	—		(7)
<b>(Loss)/Profit from continuing operations</b> .....	<b>3,739</b>	<b>(50)</b>	<b>(31)</b>	<b>(3,687)</b>	<b>(32)</b>		<b>(61)</b>

### 7.3 Unaudited pro forma condensed consolidated statement of operations for the year ended 31 December 2021

	Aquadriil Historical			Seadrill Historical Pro Forma Adjustments (Note 6)	Aquadriil Historical Pro Forma Adjustments (Note 8)	Transaction Accounting Pro Forma Adjustments	Note	Pro Forma Combined
	Seadrill Historical	Predecessor Company from 1 January 2021 through 24 May 2021	Successor Company from 25 May 2021 through 31 December 2021					
<i>(In USD millions, except per share data)</i>								
<b>Operating revenues</b> .....								
Contract revenues.....	663	53	57	—	—	—		773
Reimbursable revenues.....	35	2	2	—	—	—		39
Management contract revenues.....	177	—	—	—	—	(20)	4a	157
Other revenues.....	32	—	—	—	—	—		32
<b>Total operating revenues</b>	<b>907</b>	<b>55</b>	<b>59</b>	<b>—</b>	<b>—</b>	<b>(20)</b>		<b>1,001</b>
<b>Operating expenses</b> .....								
Vessel and rig operating expenses.....	(612)	(51)	(113)	(31)	—	20	4a	(787)
Reimbursable expenses ....	(32)	(2)	(2)	—	—	—		(36)
Depreciation.....	(127)	(8)	(8)	37	4	(51)	4b	(153)
Amortization of intangibles	—	—	—	(34)	—	6	4c	(28)
Management contract expense .....	(174)	—	—	—	—	—		(174)

Selling, general and administrative expenses ...	(67)	(13)	(4)	—	—	(2)	4d	(86)
Merger and integration expense .....	—	—	—	—	—	(23)	4e	(23)
<b>Total operating expenses</b>	<b>(1,012)</b>	<b>(74)</b>	<b>(127)</b>	<b>(28)</b>	<b>4</b>	<b>(50)</b>		<b>(1,287)</b>
<b>Other operating items ....</b>								
Loss on impairment of long-lived .....	(152)	—	—	152	—	—		—
Gain on disposals .....	47	—	1	—	—	—		48
Other operating income ....	54	—	—	—	—	(8)	4f	46
<b>Total other operating items.....</b>	<b>(51)</b>	<b>—</b>	<b>1</b>	<b>152</b>	<b>—</b>	<b>(8)</b>		<b>94</b>
<b>Operating profit/(loss) ....</b>	<b>(156)</b>	<b>(19)</b>	<b>(67)</b>	<b>124</b>	<b>4</b>	<b>(78)</b>		<b>(192)</b>
<b>Financial and other non-operating items .....</b>								
Interest income.....	1	—	—	—	—	—		1
Interest expense.....	(109)	—	—	31	—	—		(78)
Share in results from associated companies (net of tax) .....	3	—	—	—	—	—		3
Foreign exchange (loss)/gain .....	(4)	(1)	—	—	—	—		(5)
Reorganization items, net .	(296)	2,907	—	296	(2,097)	—		—
Other financial items.....	(11)	(4)	(3)	—	—	—		(18)
<b>Total financial and other non-operating items, net</b>	<b>(416)</b>	<b>2,092</b>	<b>(3)</b>	<b>327</b>	<b>(2,097)</b>	<b>—</b>		<b>(97)</b>
<b>(Loss)/profit before income taxes .....</b>	<b>(572)</b>	<b>2,073</b>	<b>(70)</b>	<b>451</b>	<b>(2,093)</b>	<b>(78)</b>		<b>(289)</b>
Income tax expense.....	—	(8)	9	—	3	—		4
<b>(Loss)/Profit from continuing operations.....</b>	<b>(572)</b>	<b>2,065</b>	<b>(61)</b>	<b>451</b>	<b>(2,090)</b>	<b>(78)</b>		<b>(298)</b>

#### 7.4 Unaudited pro forma condensed consolidated balance sheet as at 30 September 2022

	Seadrill Historical	Aquadri Historical (Note 3)	Seadrill Historical Adjustments (Note 7)	Transaction Accounting Pro forma Adjustments	Note	Pro Forma Combined
<i>(In USD millions)</i>						
<b>ASSETS</b>						
<b>Current assets.....</b>						
Cash and cash equivalents.....	224	102	497	(22)	5a	801
Restricted cash.....	55	13	—	—		68
Accounts receivable, net.....	143	30	—	—		173
Amounts due from related parties, net .....	62	—	—	—		62

Assets held for sale - current .....	392	—	(392)	—	—	—
Other current assets .....	267	81	3	(1)	5b	350
<b>Total current assets</b> .....	<b>1,143</b>	<b>226</b>	<b>108</b>	<b>(23)</b>		<b>1,454</b>
<b>Non-current assets</b> .....						
Investments in associated companies .....	79	—	(31)	—		48
Drilling units .....	1,648	346	—	840	5c	2,834
Restricted cash .....	70	—	—	—		70
Deferred tax assets .....	10	18	—	—		28
Equipment .....	9	—	—	—		9
Other non-current assets .....	23	—	(11)	—		12
<b>Total non-current assets</b> .....	<b>1,839</b>	<b>364</b>	<b>(42)</b>	<b>840</b>		<b>3,001</b>
<b>Total assets</b> .....	<b>2,982</b>	<b>590</b>	<b>66</b>	<b>817</b>		<b>4,455</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b> .....						
Debt due within one year .....	32	—	—	—		32
Trade accounts payable .....	75	11	—	—		86
Liabilities associated with assets held for sale - current .....	37	—	(37)	—		—
Other current liabilities .....	273	52	26	11	5d	362
<b>Total current liabilities</b> .....	<b>417</b>	<b>63</b>	<b>(11)</b>	<b>11</b>		<b>480</b>
<b>Non-current liabilities</b> .....						
Long-term debt .....	950	—	(202)	—		748
Deferred tax liabilities .....	9	3	—	—		12
Other non-current liabilities .....	152	50	—	6	5e	208
<b>Total non-current liabilities</b> .....	<b>1,111</b>	<b>53</b>	<b>(202)</b>	<b>6</b>		<b>968</b>
<b>Equity</b> .....						
Common shares .....	—	566	—	(566)	5f	—
Additional paid-in capital .....	1,499	—	—	1,300	5f	2,799
Accumulated other comprehensive income .....	3	—	—	—		3
Retained income/(loss) .....	(48)	(92)	279	66	5f	205
<b>Total equity</b> .....	<b>1,454</b>	<b>474</b>	<b>279</b>	<b>800</b>		<b>3,007</b>
<b>Total liabilities and equity</b> .....	<b>2,982</b>	<b>590</b>	<b>66</b>	<b>817</b>		<b>4,455</b>

## 7.5 Notes to the Pro Forma Financial Information

### Note 1: Basis of Presentation

The Pro Forma Financial Information has been prepared by Seadrill in accordance with Annex 20 to the Commission Delegated Regulation (EU) 2019/980. The pro forma adjustments include transaction accounting adjustments, which reflect the application of required accounting for the Merger and the Completed Transactions.

Seadrill and Aquadrill adopted fresh start accounting in accordance with ASC Topic 852, Reorganizations ("ASC 852"), upon their respective emergence from reorganization under Chapter 11, resulting in reorganized Seadrill and Aquadrill separately becoming



the successor entity ("**Successor**") for financial reporting purposes. In accordance with ASC 852, with the application of fresh start accounting, Seadrill and Aquadrill allocated their respective reorganization values to their individual assets based on their estimated fair values in conformity with ASC 805. Liabilities subject to compromise of the predecessor entities of Seadrill and Aquadrill ("**Predecessor**") were either reinstated or extinguished as part of the reorganization. Refer to Notes 6, 7 and 8 included in this Section 7.5 ("Notes to the Pro Forma Financial Information") for the results of the Seadrill and Aquadrill reorganizations, respectively.

The historical financial statements of Seadrill and Aquadrill were prepared in accordance with generally accepted accounting principles in the United States and shown in U.S. dollars. The unaudited pro forma condensed consolidated statements of operations for the nine months ended 30 September 2022 and the year ended 31 December 2021 assumes that the Merger and Completed Transactions had occurred on 1 January 2021. The unaudited pro forma condensed consolidated balance sheet as of 30 September 2022, assumes that the Merger, PES Sale and Jack-up Sale had occurred on 30 September 2022. The impacts from the Seadrill Reorganization and Aquadrill Reorganization have already been reflected in the historical consolidated balance sheets of both Seadrill and Aquadrill as of 30 September 2022 and therefore no pro forma balance sheet adjustments were made.

## **Note 2: Merger with Aquadrill and Estimated Purchase Consideration**

### ***Merger***

On 22 December 2022, Seadrill and Merger Sub entered into the Merger Agreement with Aquadrill pursuant to which, among other things (i) Merger Sub will merge with and into Aquadrill, with Aquadrill surviving the Merger as a wholly owned subsidiary of Seadrill and (ii) Aquadrill will receive 30.6 million Seadrill common shares including an estimated 28.3 million shares issued to Aquadrill unitholders and an estimated 2.3 million shares relating to share-based consideration.

The Pro Forma Financial Information was prepared using the acquisition method of accounting in accordance with ASC 805, which requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date with limited exceptions. The Combined Company name, ticker symbol, and headquarters will remain consistent with that of Seadrill. As the equity consideration issuing company, Seadrill will hold overall decision-making power of the Combined Company. The board of directors will be comprised of seven individuals designated by Seadrill and two individuals designated by Aquadrill. As a result, Seadrill is expected to be the accounting acquirer of Aquadrill in accordance with ASC 805.

### ***Preliminary Purchase Agreement Consideration***

The allocation of the consideration, including any related tax effects, is preliminary and pending finalization of various estimates, inputs and analyses used in the valuation assessment of the specifically identifiable tangible and intangible assets acquired. Since the Pro Forma Financial Information has been prepared by Seadrill based on preliminary estimates of consideration and fair values attributable to the Merger, the actual amounts eventually recorded in accordance with the acquisition method of accounting may differ materially from the information presented.

ASC 805 requires, among other things, that the assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. Any consideration transferred or paid in a business combination in excess of the fair value of the assets acquired and liabilities assumed should be recognized as goodwill, while any excess fair value of the assets acquired and liabilities assumed beyond the consideration transferred or paid in a business combination should be recognized as a bargain purchase gain. Seadrill management's estimate as of the date hereof is that the fair value of the net assets and liabilities acquired is equal to the purchase price. Thus, no goodwill or bargain purchase gain has been recognized on the pro forma condensed consolidated balance sheet as of 30 September 2022. This preliminary determination is subject to further assessment and adjustments by Seadrill pending additional information sharing between the parties, more detailed third-party appraisals, natural changes in net assets acquired between the pro forma date used herein and the Closing Date, and other potential adjustments.

The following table presents the calculation of preliminary purchase price consideration based on the closing price per share of Seadrill Common Shares on the New York Stock Exchange on 31 January 2023, which is used as a proxy for the market price of the Seadrill shares at the Closing. The actual purchase price will be based on the value of Seadrill's Common shares at the Closing Date.

<i>(In USD millions, except per share data)</i>	<b>Aquadrill Shares</b>	<b>Estimated Exchange Ratio</b>	<b>As at 30 September 2022</b>
Aquadrill outstanding shares as of 31 January 2023 ...	20,000,000	1.4127	28,254,635
Aquadrill restricted stock units (1) .....	122,104	1.4127	172,500
Aquadrill phantom award units (1) .....	105,700	1.4127	149,326
Aquadrill phantom appreciation rights (1) .....	570,000	0.7067	402,832
<b>Total Aquadrill shares converted to Seadrill</b>	<b>20,797,804</b>		<b>28,979,293</b>
Company Sale Bonus .....			1,665,867
Seadrill shares issued for purchase of Aquadrill.....			30,645,160
Seadrill share price at 31 January 2023 market close..			42.50
<b>Total preliminary consideration in USD millions ...</b>			<b>1,302</b>
Consideration issued in Seadrill shares .....			1300
Consideration settled in cash at close(1) .....			2
<b>Total preliminary consideration in USD millions ...</b>			<b>1,302</b>

(1) As defined in the Merger Agreement, Aquadrill's restricted stock units, phantom award units, and phantom appreciation rights were either (i) issued Seadrill Common Shares or (ii) settled in cash for certain non-employee members of Aquadrill's board. If all non-employee members of Aquadrill's board elect to settle the maximum eligible restricted stock units in cash, the impact to consideration would be immaterial.

(2) Concurrently with the execution of the Merger Agreement, Aquadrill provided notice to Steven Newman, the Chief Executive Officer and a Director of Aquadrill, that (i) as of immediately prior to Closing, the Sale Bonus Award Agreement will be terminated by Aquadrill, and (ii) upon Closing, Mr. Newman will receive a number of Seadrill Common Shares calculated in accordance with the Merger Agreement in full satisfaction of any amounts owed under the Sale Bonus Award Agreement.

The consideration calculated above and applied in the Pro Forma Financial Information is preliminary and subject to modification based on the final purchase price, which includes any changes to the value of the Seadrill Common Shares. The final value of Seadrill's consideration transferred will be determined based on the actual number of Seadrill Common Shares issued, the number of Aquadrill Common Units outstanding at the Closing, 20 day volume-weighted average price immediately preceding the Closing and the market price of the Seadrill Common Shares at the Closing. This will likely result in a difference from the preliminary purchase consideration calculated above and that difference may be material. A 20% change in the closing price of the Seadrill Common Shares would increase or decrease the preliminary purchase price paid by approximately USD 260 million, assuming all other factors held constant.

The preliminary allocation of the purchase price consideration is as follows:

<i>(In USD millions)</i>	<b>Book Value</b>	<b>Preliminary Fair Value Adjustment</b>	<b>Notes</b>	<b>Preliminary Fair Value</b>
Total current assets.....	226	—		226
Total non-current assets.....	364	840	5c	1,204
<b>Total assets.....</b>	<b>590</b>	<b>840</b>		<b>1,430</b>
Total current liabilities.....	63	6	5d	69
Total non-current liabilities.....	53	6	5e	59
<b>Total liabilities.....</b>	<b>116</b>	<b>12</b>		<b>128</b>

Net assets.....	474	828	<u>1,302</u>
<b>Total preliminary consideration in USD millions</b>			<u><b>1,302</b></u>

### Note 3: Reclassifications

The reclassifications presented below were made as a result of the Merger to conform Aquadrill's historical financial information to Seadrill's presentation.

*Reclassifications included in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine months ended 30 September 2022*

Aquadrill Presentation	30 September 2022 (in USD millions)				Seadrill Presentation
	Amount	Reclassification Adjustments	Amount		
Operating revenues .....				<b>Operating revenues</b>	
Contract revenues.....	126	—	126	Contract revenues	
Reimbursable revenues.....	5	—	5	Reimbursable revenues	
<b>Total operating revenues.....</b>	<b>131</b>	<b>—</b>	<b>131</b>	<b>Total operating revenues</b>	
<b>Operating expenses.....</b>				<b>Operating expenses</b>	
Vessel and rig operating expenses .....	(166)	—	(166)	Vessel and rig operating expenses	
Reimbursable expenses .....	(4)	—	(4)	Reimbursable expenses	
Depreciation.....	(11)	—	(11)	Depreciation	
Selling, general and administrative expenses.....	(13)	—	(13)	Selling, general and administrative expenses	
<b>Total operating expenses.....</b>	<b>(194)</b>	<b>—</b>	<b>(194)</b>	<b>Total operating expenses</b>	
<b>Other operating items .....</b>				<b>Other operating items</b>	
Gain on sale of assets .....	27	—	27	Gain on disposals	
<b>Total other operating items .....</b>	<b>27</b>	<b>—</b>	<b>27</b>	<b>Total other operating items</b>	
<b>Operating loss.....</b>	<b>(36)</b>	<b>—</b>	<b>(36)</b>	<b>Operating loss</b>	
<b>Financial and other items .....</b>				Financial and other non-operating items	
Foreign currency exchange loss.....	(1)	—	(1)	Foreign exchange loss	
Other financial items.....	1	—	1	Other financial items	
<b>Total financial items, net .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>Total financial and other nonoperating items, net</b>	
<b>Loss before income taxes.....</b>	<b>(36)</b>	<b>—</b>	<b>(36)</b>	<b>Loss from before income taxes</b>	
Income tax benefit .....	5	—	5	Income tax benefit	
<b>Net Loss .....</b>	<b>(31)</b>	<b>—</b>	<b>(31)</b>	<b>Loss from continuing operations</b>	

*Reclassifications included in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended 31 December 2021*

**Predecessor Company**  
**from 1 January 2021 to 24 May 2021**  
(in USD millions)

<b>Aquadrill Presentation</b>	<b>Amount (Note 8)</b>	<b>Reclassification Adjustments</b>	<b>Amount</b>	<b>Seadrill Presentation</b>
<b>Operating revenues</b> .....		—		<b>Operating revenues</b>
Contract revenues .....	53	—	53	Contract revenues
Reimbursable revenues .....	2	—	2	Reimbursable revenues
<b>Total operating revenues</b> .....	<b>55</b>	<b>—</b>	<b>55</b>	<b>Total operating revenues</b>
<b>Operating expenses</b> .....				<b>Operating expenses</b>
Vessel and rig operating expenses ..	(51)	—	(51)	Vessel and rig operating expenses
Reimbursable expenses .....	(2)	—	(2)	Reimbursable expenses
Depreciation .....	(8)	—	(8)	Depreciation
Selling, general and administrative expenses .....	(13)	—	(13)	Selling, general and administrative expenses
<b>Total operating expenses</b> .....	<b>(74)</b>	<b>—</b>	<b>(74)</b>	<b>Total operating expenses</b>
<b>Other operating items</b> .....				<b>Other operating items</b>
Gain on sale of assets .....	—	—	—	Gain on disposals
<b>Total other operating items</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>Total other operating items</b>
<b>Operating loss</b> .....	<b>(19)</b>	<b>—</b>	<b>(19)</b>	<b>Operating loss</b>
<b>Financial and other items</b> .....				<b>Financial and other non-operating items</b>
Foreign currency exchange loss .....	(1)	—	(1)	Foreign exchange loss
Gain/(loss) on reorganization items, net .....	2,097	—	2,097	Reorganization items, net
Other financial expenses .....	(4)	—	(4)	Other financial items
<b>Total financial items, net</b> .....	<b>2,092</b>	<b>—</b>	<b>2,092</b>	<b>Total financial and other nonoperating items, net</b>
<b>Loss before income taxes</b> .....	<b>2,073</b>	<b>—</b>	<b>2,073</b>	<b>Loss before income taxes</b>
Income tax expense .....	(8)	—	(8)	Income tax expense
<b>Net loss</b> .....	<b>2,065</b>	<b>—</b>	<b>2,065</b>	<b>Loss from continuing operations</b>

**Successor Company**  
**from 25 May 2021 to 31 December 2021**  
(in USD millions)

<b>Aquadrill Presentation</b>	<b>Amount (Note 8)</b>	<b>Reclassification Adjustments</b>	<b>Amount</b>	<b>Seadrill Presentation</b>
<b>Operating revenues</b> .....				<b>Operating revenues</b>
Contract revenues .....	57	—	57	Contract revenues
Reimbursable revenues .....	2	—	2	Reimbursable revenues

<b>Total operating revenues</b> .....	<b>59</b>	—	<b>59</b>	<b>Total operating revenues</b>
<b>Operating expenses</b> .....				<b>Operating expenses</b>
Vessel and rig operating expenses ..	(113)	—	(113)	Vessel and rig operating expenses
Reimbursable expenses .....	(2)	—	(2)	Reimbursable expenses
Depreciation.....	(8)	—	(8)	Depreciation
Selling, general and administrative expenses.....	(4)	—	(4)	Selling, general and administrative expenses
<b>Total operating expenses</b> .....	<b>(127)</b>	—	<b>(127)</b>	<b>Total operating expenses</b>
<b>Other operating items</b> .....		—		<b>Other operating items</b>
Gain on sale of assets .....	1	—	1	Gain on disposals
<b>Total other operating items</b> .....	<b>1</b>	—	<b>1</b>	<b>Total other operating items</b>
<b>Operating loss</b> .....	<b>(67)</b>	—	<b>(67)</b>	<b>Operating loss</b>
<b>Financial and other items</b> .....				<b>Financial and other non-operating items</b>
Other financial expenses.....	—	(3) a	(3)	Other financial items
Restructuring and other expenses...	(3)	3 a		
<b>Total financial items, net</b> .....	<b>(3)</b>	—	<b>(3)</b>	<b>Total financial and other nonoperating items, net</b>
<b>Loss before income taxes</b> .....	<b>(70)</b>	—	<b>(70)</b>	<b>Loss before income taxes</b>
Income tax expense .....	9	—	9	Income tax expense
<b>Net loss</b> .....	<b>(61)</b>	—	<b>(61)</b>	<b>Loss from continuing operations</b>

a) *Restructuring and other expenses – To reclassify Restructuring and other expenses of USD 3 million to Other financial items.*

*Reclassifications included in the Unaudited Pro Forma Condensed Consolidated Balance Sheet as at 30 September 2022*

<b>30 September 2022</b>				
<b>(in USD millions)</b>				
<b>Aquadrill Presentation</b>	<b>Amount</b>	<b>Reclassification Adjustments</b>	<b>Amount</b>	<b>Seadrill Presentation</b>
<b>ASSETS</b>				<b>ASSETS</b>
				<b>Current assets</b>
Cash and cash equivalents.....	102	—	102	Cash and cash equivalents
Restricted cash.....	13	—	13	Restricted cash
Accounts receivable, net.....	30	—	30	Accounts receivable, net
Other current assets .....	12	69 a, b	81	Other current assets
Prepaid expenses .....	50	(50) a	—	
Income taxes receivable.....	19	(19) b	—	
<b>Total current assets</b> .....	<b>226</b>	—	<b>226</b>	<b>Total current assets</b>
<b>Non-current assets</b> .....				<b>Non-current assets</b>

Drilling units, net .....	346	—	346	Drilling units
Deferred tax assets .....	18	—	18	Deferred tax assets
<b>Total non-current assets .....</b>	<b>364</b>	<b>—</b>	<b>364</b>	<b>Total non-current assets</b>
<b>Total assets .....</b>	<b>590</b>	<b>—</b>	<b>590</b>	<b>Total assets</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>				<b>LIABILITIES AND EQUITY</b>
				<b>Current liabilities</b>
Trade accounts payable and accruals.....	11	—	11	Trade accounts payable
Accrued expenses .....	19	(19) c	—	
Taxes payable .....	27	(27) d	—	
Other current liabilities.....	6	46 c, d	52	Other current liabilities
<b>Total current liabilities.....</b>	<b>63</b>	<b>—</b>	<b>63</b>	<b>Total current liabilities</b>
				<b>Non-current liabilities</b>
Deferred tax liability.....	3	—	3	Deferred tax liabilities
Other non-current liabilities.....	50	—	50	Other non-current liabilities
<b>Total long-term liabilities.....</b>	<b>53</b>	<b>—</b>	<b>53</b>	<b>Total non-current liabilities</b>
<b>Members' capital.....</b>				<b>Equity</b>
Common unitholders.....	566	—	566	Common shares
Accumulated deficit.....	(92)	—	(92)	Retained loss
<b>Total member's capital.....</b>	<b>474</b>	<b>—</b>	<b>474</b>	<b>Total equity</b>
<b>Total liabilities and equity .....</b>	<b>590</b>	<b>—</b>	<b>590</b>	<b>Total liabilities and equity</b>

- a) *Prepaid expenses – To reclassify Prepaid expenses of USD 50 million to Other current assets.*
- b) *Income taxes receivable – To reclassify Income taxes receivable of USD 19 million to Other current assets.*
- c) *Accrued expenses – To reclassify Accrued expenses of USD 19 million to Other current liabilities.*
- d) *Taxes payable – To reclassify Taxes payable of USD 27 million to Other current liabilities.*

**Note 4: Pro forma adjustments related to the following items in the Unaudited Pro Forma Combined Statements of Operations**

- a) *Management contract revenues and Vessel and rig expenses – Reflects the elimination of the preexisting relationship between Seadrill and Aquadrill which related to a global services agreement and other service arrangements. Upon Closing, Seadrill and Aquadrill will become a combined company and intercompany relationships would be eliminated.*

	Nine months ended 30 September 2022	Year ended 31 December 2021
<i>(In USD millions)</i>		
Seadrill contract revenue removal.....	(4)	(20)
Aquadrill contract expense removal .....	4	20
<b>Total adjustment to remove preexisting relationships.....</b>	<b>—</b>	<b>—</b>

- b) *Depreciation – Reflects the estimated increase in depreciation expense based on preliminary asset values and useful lives for drilling units as a result of the Merger. The pro forma adjustments to depreciation expense were calculated as follows:*

<i>(In USD millions)</i>	<b>Nine months ended 30 September 2022</b>	<b>Year ended 31 December 2021</b>
Removal of historical depreciation expense .....	11	12
Estimated depreciation expense for fair value of drilling units (1) ..	(47)	(63)
<b>Total adjustment to Depreciation .....</b>	<b>(36)</b>	<b>(51)</b>

(1) Drilling units less estimated residual value are depreciated using the straight-line basis over their estimated remaining useful lives. The preliminary estimated remaining useful lives for the drilling units acquired from Aquadrill range from 16 to 21 years.

- c) *Amortization of intangibles – The preliminary assessment of the fair value of the existing MSA contracts showed a USD 14 million unfavorable contract liability and a USD 2 million favorable contract asset, recorded as a net unfavorable contract liability (as outlined in Note 5e and Note 5f). The off-market contracts result from higher or lower revenue and margin shares now being received by the managers under the MSA arrangements compared to their original cost rates as a result of favorable market conditions or variable cost terms within the contract, respectively. The estimated amortization expense for this fair value adjustment was USD 4 million and USD 6 million for the periods ended 30 September 2022 and 31 December 2021, respectively.*
- d) *Selling, general and administrative expenses – Reflects the recognition of expense associated with director and officer insurance as required by the Merger Agreement. This expense is not expected to recur in any period beyond twelve months from the Closing.*
- e) *Merger and integration costs – Reflects the recognition of estimated expenses directly attributable to the Merger. These expenses are not expected to recur in any period beyond the twelve months from the Closing.*

<i>(In USD millions)</i>	<b>Year ended 31 December 2021</b>
Estimated remaining transaction expenses (1) .....	(21)
Aquadrill employee severance (2) .....	(2)
<b>Total adjustment to Merger and integration costs .....</b>	<b>(23)</b>

(1) The incremental estimated transaction costs to be incurred directly in connection with the Merger, consisting primarily of legal and professional fees. Approximately USD 13 million and USD 8 million of estimated transaction costs are expected to be incurred by Seadrill and Aquadrill, respectively.

(2) The severance expense to be paid to Aquadrill employees as a result of the Merger.

- f) Other operating income – Removal of USD 8 million gain on write off of payables relating to Seadrill Partners Global Settlement.

#### **Note 5: Unaudited Pro Forma Consolidated Balance Sheet Pro Forma Adjustments**

- a) *Cash and cash equivalents - The following table reflects amounts directly attributable to the Merger expected to be paid in cash at Closing.*

<i>(In USD millions)</i>	<b>As at 30 September 2022</b>
Share-based compensation settled in cash for non-employee members of Aquadrill's Board (Note 2) .....	(2)
Cash paid for estimated transaction expenses (Note 4e) .....	(18)
Aquadrill employee severance (Note 4e) .....	(2)
<b>Total adjustment to Cash and cash equivalents .....</b>	<b>(22)</b>

- b) *Other current assets – Reflects reduction of prepaid expense related to transaction expenses.*
- c) *Drilling units – Reflects the preliminary fair value adjustment of USD 840 million to increase the historical net book value of drilling units. See Note 2 and Note 4b.*
- d) *Other current liabilities – Reflects the increase in Other current liabilities directly attributable to the Merger.*

(In USD millions)

	<b>As at 30 September 2022</b>
Current portion of preliminary fair value adjustment related to unfavorable contracts, net of favorable contracts (Note 2 and Note 4c) .....	6
Estimated remaining transaction expenses (Note 4e).....	3
Directors and officers insurance required in connection with the transaction (Note 4d) .....	2
<b>Total adjustment to Other current liabilities .....</b>	<b>11</b>

- e) *Other non-current liabilities – Records the USD 6 million non-current liability associated with the preliminary fair value of unfavorable contracts. See Note 2 and Note 4c.*

- f) *Total equity – Reflects the adjustments made to equity captions based on the Merger.*

(In USD millions)

	<b>As at 30 September 2022</b>
Issuance of common shares of par value USD 0.01 per share (Note 2).....	—
Pro forma adjustment to Aquadrill common shares.....	(566)
Pro forma adjustment to Additional paid in capital (Note 2).....	1,300
<b>Common shares and Additional paid-in capital.....</b>	<b>734</b>
Pro forma adjustment to Aquadrill common shares.....	92
Estimated remaining transaction expenses (Note 4e) .....	(22)
Directors and officers insurance required in connection with the transaction (Note 4d) .....	(2)
Aquadrill employee severance (Note 4d) .....	(2)
<b>Pro forma adjustment to retained income/(loss).....</b>	<b>66</b>
<b>Total adjustments to Total equity .....</b>	<b>800</b>

## Note 6: Adjusted Seadrill Historical Statements of Operations

The following tables reflect Seadrill historical adjustments included in the Unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended 30 September 2022 and the year ended 31 December 2021 assuming the Completed Transactions had occurred on 1 January 2021.

*Historical adjustments included in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine months ended 30 September 2022*

	Predecessor Company from 1 January 2022 through 22 February	Successor Company from 23 February 2022 through 30 September	Seadrill Reorganization				Total Historical Pro Forma Adjustments
			Reorganization Adjustments	Fresh Start Adjustments	PES Sale	Jackup Sale	
(In USD millions, except per share data)							



	<u>2022</u>	<u>2022</u>					
<b>Operating revenues</b>							
Contract revenues.....	124	435	—	—	—	—	—
Reimbursable revenues.....	4	21	—	—	—	—	—
Management contract revenues.....	36	140	—	—	—	—	—
Other revenues.....	5	19	—	—	—	—	—
<b>Total operating revenues.....</b>	<b>169</b>	<b>615</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operating expenses</b>							
Vessel and rig operating expenses...	(76)	(323)	(15) a	—	—	—	(15)
Reimbursable expenses.....	(4)	(18)	—	—	—	—	—
Depreciation.....	(17)	(68)	1 b	3 h	—	—	4
Amortization of.....	—	(22)	—	(2) i	—	—	(2)
Management contract expense .....	(31)	(98)	—	—	—	—	—
Selling, general and administrative expenses.....	(6)	(42)	—	—	—	—	—
<b>Total operating expenses.....</b>	<b>(134)</b>	<b>(571)</b>	<b>(14)</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>(13)</b>
<b>Other operating items .....</b>							
Gain on disposals .....	2	1	—	—	—	—	—
<b>Total other operating.....</b>	<b>2</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operating profit/(loss) .....</b>	<b>37</b>	<b>45</b>	<b>(14)</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>(13)</b>
<b>Financial and other nonoperating items.....</b>							
Interest income	—	7	—	—	—	—	—
Interest expense.....	(7)	(73)	(9) d	—	—	19 m	10
Share in results from associated companies (net of tax) .....	(2)	(7)	—	—	11 k	—	11
Gain on derivative financial instruments	1	11	—	—	—	—	—
Foreign exchange (loss)/gain .....	8	(9)	—	—	—	—	—
Reorganization items, net .....	3,683	(12)	(3.317) e	(266) j	112 l	—	(3,671)
Other financial items.	21	(2)	(24) f	—	—	—	(24)

<b>Total financial and other non-operating items, net .....</b>	<b>3,704</b>	<b>(85)</b>	<b>(3,550)</b>	<b>(266)</b>	<b>123</b>	<b>19</b>	<b>(3,674)</b>
<b>(Loss)/profit before income taxes .....</b>	<b>3,741</b>	<b>(40)</b>	<b>(3,564)</b>	<b>(265)</b>	<b>123</b>		<b>(3,687)</b>
Income tax expense..	(2)	(10)	—	—	—	—	—
<b>(Loss)/Profit from continuing operations .....</b>	<b>3,739</b>	<b>(50)</b>	<b>(3,564)</b>	<b>(265)</b>	<b>123</b>	<b>19</b>	<b>(3,687)</b>

Historical adjustments included in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended 31 December 2021

(In USD millions, except per share data)	Seadrill Reorganization				Total Historical Adjustments	Adjusted Seadrill Historical
	Predecessor Historical	Reorganization Adjustments	Fresh Start Adjustments	Jackup Sale		
<b>Operating revenues</b>						
Contract revenues .....	663	—	—	—	—	663
Reimbursable revenues .....	35	—	—	—	—	35
Management contract revenues .....	177	—	—	—	—	177
Other revenues .....	32	—	—	—	—	32
<b>Total operating revenues .....</b>	<b>907</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>907</b>
<b>Operating expenses</b>						
Vessel and rig operating expenses...	(612)	(31) a	—	—	(31)	(643)
Reimbursable expenses .....	(32)	—	—	—	—	(32)
Depreciation .....	(127)	24 b	13 h	—	37	(90)
Amortization of intangibles .....	—	—	(34) i	—	(34)	(34)
Management contract expense .....	(174)	—	—	—	—	(174)
Selling, general and administrative expenses .....	(67)	—	—	—	—	(67)
<b>Total operating expenses .....</b>	<b>(1,012)</b>	<b>(7)</b>	<b>(21)</b>	<b>—</b>	<b>(28)</b>	<b>(1,040)</b>
<b>Other operating items .....</b>						
Loss on impairment of long-lived assets .....	(152)	152 c	—	—	152	—
Gain on disposals .....	47	—	—	—	—	47

Other operating income .....	54	—	—	—	—	54
<b>Total other operating items .....</b>	<b>(51)</b>	<b>152</b>	<b>—</b>	<b>—</b>	<b>152</b>	<b>101</b>
<b>Operating profit/(loss) .....</b>	<b>(156)</b>	<b>145</b>	<b>(21)</b>	<b>—</b>	<b>124</b>	<b>(32)</b>
<b>Financial and other nonoperating items .....</b>						
Interest income	1	—	—	—	—	1
Interest expense.....	(109)	5 d	—	26 m	31	(78)
Share in results from associated companies (net of tax) .....	3	—	—	—	—	3
Foreign exchange loss .....	(4)	—	—	—	—	(4)
Reorganization items, net .....	(296)	296 c	—	—	296	—
Other financial items.	(11)	—	—	—	—	(11)
<b>Total financial and other non-operating items, net .....</b>	<b>(416)</b>	<b>301</b>	<b>—</b>	<b>26</b>	<b>327</b>	<b>(89)</b>
<b>(Loss)/profit before income taxes.....</b>	<b>(572)</b>	<b>446</b>	<b>(21)</b>	<b>26</b>	<b>451</b>	<b>(121)</b>
Income tax benefit ....	—	—	—	—	—	—
<b>(Loss)/Profit from continuing operations .....</b>	<b>(572)</b>	<b>446</b>	<b>(21)</b>	<b>26</b>	<b>451</b>	<b>(121)</b>

### Reorganization Adjustments

- a) *Vessel and rig operating expenses* – In conjunction with the Seadrill Reorganization, the Seadrill Group entered into an amended lease agreement with SFL for West Hercules and West Linus. Prior to the amendment, these leases were classified as finance leases and, as a result of the modification, were reclassified as operating leases. The adjustment below reflects the operating lease expense associated with the modification and reversal of the gain on extinguishment of previously accrued operating costs on the Effective Date.

<i>(In USD millions)</i>	<b>Nine months ended 30 September 2022</b>	<b>Year ended 31 December 2021</b>
West Hercules operating lease expense .....	—	(11)
West Linus operating lease expense .....	(3)	(20)
Reversal of gain on release of previously accrued operating costs extinguished on the Effective Date .....	(12)	—
<b>Total adjustment to Vessel and rig operating expenses .....</b>	<b>(15)</b>	<b>(31)</b>

- b) *Depreciation* – Reflects the removal of the historical depreciation expense associated with the modification of the leases for the West Hercules and West Linus drilling units.

- c) *Loss on impairment of long-lived assets* – As the amended West Hercules bareboat lease is classified as an operating lease on the Effective Date, this adjustment reflects the removal of the historical impairment expense associated with redelivery of drilling unit to SFL of USD 152 million for the year ended 31 December 2021.
- d) *Interest expense* – Reflects the adjustment to remove the historical interest expense for the Predecessor debt instruments and unwind on the SFL leases, and to record the interest expense associated with the new debt instruments. The pro forma adjustments to interest expense were calculated as follows:

<i>(In USD millions)</i>	<b>Nine months ended 30 September 2022</b>	<b>Year ended 31 December 2021</b>
Write-off of Predecessor interest expense .....	7	109
Pro forma interest expense on the new first lien facility .....	(3)	(17)
Pro forma interest expense on the new second lien facility .....	(13)	(92)
Pro forma interest expense on the convertible bonds.....	(1)	(3)
Amortization of debt premium.....	1	8
<b>Total adjustment to Interest expense .....</b>	<b>(9)</b>	<b>5</b>

Assuming an increase in interest rates on the new debt instruments of 1/8%, pro forma interest would increase by nil and USD 1 million for the period from 1 January 2022 through 22 February 2022 and the year ended 31 December 2021, respectively. The interest rates used for the purposes of calculating pro forma interest expenses for the new first lien facility, new second lien facility, and convertible bonds were 7.94%, 13.44%, and 6.96% respectively.

- e) *Reorganization items, net* – Reflects the removal of reorganization items which represent charges directly attributable to the bankruptcy. The balance excludes the fresh start valuation adjustments which are described in Note 6j below.

<i>(In USD millions)</i>	<b>Nine months ended 30 September 2022</b>	<b>Year ended 31 December 2021</b>
Pre-tax gain on settlement of liabilities subject to compromise .....	(3,589)	—
Advisory and professional fees.....	56	113
Expense of Predecessor directors and officers insurance policy.....	17	—
Remeasurement of terminated lease to allowable claim .....	—	186
Interest income on surplus cash.....	(1)	(3)
<b>Total adjustment to Reorganization items, net .....</b>	<b>(3,517)</b>	<b>296</b>

- f) *Other financial items* – In conjunction with the Seadrill Reorganization, the accrual related to the Dalian yard postponement was extinguished. The adjustment reflects the reversal of the gain on extinguishment of USD 24 million which is directly attributable to the bankruptcy and is not representative of the Successor.

#### **Fresh Start Adjustments**

- g) *Depreciation* – Reflects the pro forma decrease in depreciation expense based on new asset values and useful lives for drilling units and equipment as a result of adopting fresh start accounting. The pro forma adjustments to depreciation expense was calculated as follows:

<i>(In USD millions)</i>	<b>Nine months ended 30 September 2022</b>	<b>Year ended 31 December 2021</b>
--------------------------	--	------------------------------------

Seadrill weighted average shares outstanding.....	50	100
Cancellation of Predecessor equity .....	—	(100)
Issuance of Successor common stock .....	—	50
<b>Total pro forma weighted average shares outstanding - basic .</b>	<b>50</b>	<b>50</b>
Dilutive impact of Seadrill's convertible bond (1) .....	3	—
<b>Adjusted weighted average shares outstanding - diluted (2).....</b>	<b>53</b>	<b>50</b>

- h) *Amortization of intangibles* – Reflects the adjustment to record pro forma amortization of drilling and management contracts as a result of adopting fresh start accounting.
- i) *Reorganization items, net* – Remove the cumulative effect of the fresh start accounting adjustments of USD 266 million.

#### **PES Sale Adjustments**

- j) *Share in results from associated companies (net of tax)* – Reflects the removal of the Successor's remaining 35% investment in PES.
- k) *Gain on deconsolidation* – Reflects the removal of the loss on deconsolidation of PES which represents a charge directly attributable to the NSNCo restructuring reflected in the Predecessor period.

#### **Jack-up Sale Adjustments**

- l) *Interest expense* – In conjunction with the Jack-up Sale, a mandatory payment was required on the new second lien facility. This adjustment reflects the removal of Successor interest expense of USD 15 million and Predecessor interest expense of USD 4 million for the nine months ended 30 September 2022 and the removal of Predecessor interest expense of USD 26 million for the year ended 31 December 2021.

#### **Note 7: Adjusted Seadrill Historical Balance Sheet**

The following table reflects Seadrill historical adjustments included in the Unaudited Pro Forma Condensed Consolidated Balance Sheet as at 30 September 2022 assuming the PES Sale and Jack-up Sale had occurred on 30 September 2022.

<i>(In USD millions)</i>	<b>Seadrill Limited</b>	<b>PES Sale Adjustments</b>	<b>Jack-up Sale Adjustments</b>	<b>Total Historical Adjustments</b>
<b>ASSETS</b>				
<b>Current assets</b> .....				
Cash and cash equivalents.....	224	42 a	455 d	497
Restricted cash.....	55	—	—	—
Accounts receivable, net.....	143	—	—	—
Amounts due from related parties, net .....	62	—	—	—
Assets held for sale - current .....	392	—	(392) e	(392)
Other current assets .....	267	—	3 f	3
<b>Total current assets</b> .....	<b>1,143</b>	<b>42</b>	<b>66</b>	<b>108</b>
<b>Non-current assets</b> .....				
Investments in associated companies .....	79	(31) b	—	(31)
Drilling units .....	1,648	—	—	—

Restricted cash.....	70	—	—	—
Deferred tax assets .....	10	—	—	—
Equipment.....	9	—	—	—
Other non-current assets .....	23	(11) c	—	(11)
<b>Total non-current assets .....</b>	<b>1,839</b>	<b>(42)</b>	<b>—</b>	<b>(42)</b>
<b>Total assets .....</b>	<b>2,982</b>	<b>—</b>	<b>66</b>	<b>66</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities .....</b>				
Debt due within one year .....	32	—	—	—
Trade accounts payable.....	75	—	—	—
Liabilities associated with assets held for sale - current .....	37	—	(37) g	(37)
Other current liabilities.....	273	—	26 h	26
<b>Total current liabilities .....</b>	<b>417</b>	<b>—</b>	<b>(11)</b>	<b>(11)</b>
<b>Non-current liabilities.....</b>				
Long-term debt.....	950	—	(202) i	(202)
Deferred tax liabilities.....	9	—	—	—
Other non-current liabilities.....	152	—	—	—
<b>Total non-current liabilities....</b>	<b>1,111</b>	<b>—</b>	<b>(202)</b>	<b>(202)</b>
<b>Equity .....</b>				
Common shares .....	—	—	—	—
Additional paid-in capital.....	1,499	—	—	—
Accumulated other comprehensive income .....	3	—	—	—
Retained income/(loss) .....	(48)	—	279 j	279
<b>Total equity.....</b>	<b>1,454</b>	<b>—</b>	<b>279</b>	<b>279</b>
<b>Total liabilities and equity .....</b>	<b>2,982</b>	<b>—</b>	<b>66</b>	<b>66</b>

#### **PES Sale Adjustments**

- a) *Cash and cash equivalents* – Reflects cash consideration received for the sale of remaining 35% ownership in PES.
- b) *Investment in associated companies* – Reflects the removal of the remaining 35% investment in PES.
- c) *Other non-current assets* – As part of the Seadrill Reorganization, the management incentive fee award from PES was determined to have a fair value of USD 11 million. This adjustment reflect the removal of this amount as a result of the sale of the Successor's remaining 35% investment in PES.

#### **Jack-up Sale Adjustments**

- d) *Cash and cash equivalents* – Reflects the cash consideration received, net of transaction costs, for the Jack-up Sale of USD 659 million and mandatory repayment of the new second lien facility of USD 204 million including accrued interest expense of USD 2 million and exit fees of USD 10 million.

- e) *Assets held for sale - current* – Reflects removal of held for sale assets related to the Jack-up Sale.
- f) *Other current assets* – Records the increase in estimated working capital and project costs spent associated with the Jack-up Sale.
- g) *Liabilities associated with assets held for sale - current* – Removes the liabilities related to the Jack-up Sale.
- h) *Other current liabilities* – Reflects the removal of accrued interest related to the repayment of the new second lien facility of USD 2 million. Seadrill provided the acquirer with certain indemnities and warranties as part of the Jack-up Sale and the adjustments below predominantly represent the recording of management's estimate of these indemnities.

<i>(In USD millions)</i>	<b>As at 30 September 2022</b>
Indemnity for project cost overruns, net of escrow.....	10
Warranty for the operating rigs.....	16
Indemnity for tax exposures.....	2
Accrued interest related to mandatory repayment of new second lien facility .....	(2)
<b>Total Adjustment to Other current liabilities .....</b>	<b>26</b>

- i) *Long-term debt* – Records the mandatory repayment of the new second lien facility including capitalized exit fees of USD 192 million and USD 10 million, respectively. This does not include voluntary payments under its second lien debt facility, as further described in Section 5.3.2 ("Financial position").
- j) *Retained income* – To reflect the gain on the Jack-up Sale in retained income at 30 September 2022 which would have been recorded to discontinued operations in the year ended 31 December 2021.

<i>(In USD millions)</i>	<b>As at 30 September 2022</b>
Cash consideration, net of transaction costs (Note 7d) .....	659
Write off of held for sale assets (Note 7e).....	(392)
Increase in estimated working capital (Note 7f).....	3
Write off of held for sale liabilities (Note 7g) .....	37
Record indemnities, net of escrow (Note 7h) .....	(28)
<b>Retained income .....</b>	<b>279</b>

### Note 8: Adjusted Aquadrill Historical Statements of Operations

The following table reflects Aquadrill historical adjustments included in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended 31 December 2021 assuming the Aquadrill Reorganization had occurred on 1 January 2021.

<i>(In USD millions)</i>	Successor Company from 25 May 2021 through 31 December 2021	Predecessor Company from 1 January 2021 through 24 May 2021	Aquadrill Reorganization		Total Historical Adjustments
			Reorganization Adjustments	Fresh start Adjustments	
<b>Operating revenues</b>					
Contract.....	57	53	—	—	—
Reimbursable revenues.....	2	2	—	—	—
<b>Total operating revenues</b>	<b>59</b>	<b>55</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operating expenses.....</b>					

Vessel and rig operating expenses.....	(113)	(51)	—	—	—
Depreciation.....	(8)	(8)	—	4 c	4
Reimbursable expenses ....	(2)	(2)	—	—	—
Selling, general and administrative expenses ...	(4)	(13)	—	—	—
<b>Total operating expenses</b>	<b>(127)</b>	<b>(74)</b>	<b>—</b>	<b>4</b>	<b>4</b>
<b>Other operating items</b>		—	—	—	—
Gain on sale of assets .....	<b>1</b>	—	—	—	—
<b>Total other operating items .....</b>	<b>1</b>	—	—	—	—
<b>Operating (loss)/income..</b>	<b>(67)</b>	<b>(19)</b>	<b>—</b>	<b>4</b>	<b>4</b>
<b>Financial and other items.....</b>			—		
Foreign currency exchange loss .....	—	(1)	—	—	—
Gain/(loss) on reorganization items, net.....	—	2,097	(2,247) a	150 d	(2,097)
Restructuring and other ....	(3)	—	—	—	—
Other financial expenses...	—	(4)	—	—	—
<b>Total financial items, net</b>	<b>(3)</b>	<b>2,092</b>	<b>(2,247)</b>	<b>150</b>	<b>(2,097)</b>
<b>(Loss)/income before income taxes.....</b>	<b>(70)</b>	<b>2,073</b>	<b>(2,247)</b>	<b>154</b>	<b>(2,093)</b>
Income tax benefit/(expense) .....	9	(8)	3 b	—	3
<b>Net (loss)/income .....</b>	<b>(61)</b>	<b>2,065</b>	<b>(2,244)</b>	<b>154</b>	<b>(2,090)</b>

### Reorganization items

- a) *Gain/(loss) on Reorganization items, net* – Reflects the removal of reorganization items which represent charges directly attributable to the bankruptcy. The balance excludes the fresh start valuation adjustments which are described in Note 8c below.

(In USD millions)

	<b>Year ended 31 December 2021</b>
Gain of liabilities subject to compromise .....	(2,292)
Advisory and professional fees.....	35
Success fees for professional services.....	10
<b>Total adjustments to Loss on reorganization items, net.....</b>	<b>(2,247)</b>

- b) *Income tax benefit/(expense)* – Reflects the pro forma adjustment to tax expense as a result of reorganization adjustments. The income tax impact was calculated by applying the appropriate statutory tax rate of the respective tax jurisdictions to which the pro forma adjustments relate, and which are reasonably expected to occur.

### Fresh Start Adjustments



- c) *Depreciation* – To remove Predecessor depreciation expense on drilling units of USD 8 million and record depreciation expense based on new asset values and useful lives for drilling units and equipment as a result of adopting fresh start accounting of USD 4 million.
- d) *Gain/(loss) on Reorganization items, net* – Remove the cumulative effect of the fresh start accounting adjustments of USD 150 million.

## 8 INCORPORATION BY REFERENCE AND DOCUMENTS ON DISPLAY

### 8.1 Incorporation by reference

The documents set out below are incorporated by reference and constitute part of this Exempted Document.

Exempted document - Minimum disclosure requirement		Reference document and link	Pages in reference document
Item 2.5.1	Financial statements	The Seadrill Annual Financial Statements <a href="https://www.seadrill.com/application/files/8216/5118/1634/Seadrill_Limited_20-F_2021.pdf">https://www.seadrill.com/application/files/8216/5118/1634/Seadrill_Limited_20-F_2021.pdf</a>	1-140
Item 2.5.1	Financial statements	Seadrill's Report on Form 6-K filed with the SEC on 27 February 2023, which recasts Seadrill's financial statements as of 31 December 2021 and 31 December 2020 and for each of the three years ended 31 December 2021 <a href="https://www.seadrill.com/application/files/6216/7878/3236/230227_SDR_L_6k.pdf">https://www.seadrill.com/application/files/6216/7878/3236/230227_SDR_L_6k.pdf</a>	1-92
Item 2.5.1	Financial statements	The Seadrill Interim Financial Statements <a href="https://www.seadrill.com/application/files/8416/6978/8423/Seadrill_Interim_Financial_Statements_on_Form_6-K_3Q22.pdf">https://www.seadrill.com/application/files/8416/6978/8423/Seadrill_Interim_Financial_Statements_on_Form_6-K_3Q22.pdf</a>	1-66
Item 2.5.1.a	Financial statements	The Aquadrill 2021 Annual Financial Statements <a href="https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm">https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm</a>	F-139 – F-194
Item 2.5.1.a	Financial statements	The Aquadrill 2020 Annual Financial Statements <a href="https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm">https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm</a>	F-139 – F-194
Item 2.5.1.a	Financial statements	The Aquadrill Interim Financial Statements <a href="https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm">https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm</a>	F-195 – F-226

### 8.2 Documents on display

For the 12 months from the date of this Exempted Document, the following documents will be available for inspection at Seadrill's registered office at Chiswick Business Park, Building 11, 2nd Floor, 566 Chiswick High Road, London W4 5YS, United Kingdom during office hours:

- Seadrill's bye-laws (which are also available at <https://www.seadrill.com/investors/corporate-governance/bye-laws/>)
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at Seadrill's request any part of which is included or referred to in the Exempted document.
- The Merger Agreement (which was filed with the SEC and available at <https://www.sec.gov/>. Seadrill's filings to the SEC can also be accessed through <https://www.seadrill.com/investors/reports-presentations/sec-filings/>).

- The Seadrill Annual Financial Statements, Seadrill's Report on Form 6-K filed with the SEC on 27 February 2023, which recasts Seadrill's financial statements as of 31 December 2021 and 31 December 2020 and for each of the three years ended 31 December 2021 and the Seadrill Interim Financial Statements (which are also available at <https://www.seadrill.com/investors/reports-presentations/reports/>).
- The Aquadrill 2021 Annual Financial Statements, the Aquadrill 2020 Annual Financial Statements and the Aquadrill Interim Financial Statements (which are also available at <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001737706/000119312523051001/d466201df4.htm>).
- This Exempted Document (which also is available at Seadrill's website, [www.seadrill.com](http://www.seadrill.com)).

## **9 ADDITIONAL INFORMATION**

### **9.1 Independent auditor**

PricewaterhouseCoopers LLP (United Kingdom) (PwC) is the independent auditor of Seadrill and the independent auditor of Aquadrill, and has its registered business address at 40 Clarendon Rd, Watford WD17 1HZ, United Kingdom. PwC is registered with the Public Company Accounting Oversight Board (United States) (PCAOB), is a member firm of the Institute of Chartered Accountants in England and Wales (ICAEW) and a third country auditor registered in Norway with the Norwegian Financial Supervisory Authority (Nw. Finanstilsynet).

### **9.2 Advisors retained in connection with the Merger**

Advokatfirmaet Thommessen AS is acting as legal adviser to Seadrill as to Norwegian law, Conyers Dill & Pearman Limited is acting as legal adviser to Seadrill as to Bermuda law, and Baker Botts L.L.P. is acting as legal adviser to Seadrill as to US law.

Advokatfirmaet Schjødt AS is acting as legal adviser to Aquadrill as to Norwegian law, and Akin Gump Strauss Hauer & Feld LLP is acting as legal adviser to Aquadrill as to US law.

Citibank is acting as financial adviser to Seadrill and Intrepid Partners, LLC is acting as financial advisor to Aquadrill.

## 10 DEFINITIONS AND GLOSSARY

In the Exempted Document, the following defined terms have the following meanings:

ABC Legislation.....	As defined in risk factor no. 1.2.26 ("Any violation of anti-bribery or anti-corruption laws, including the Foreign Corrupt Practices Act, the UK Bribery Act, the Bermuda Bribery Act 2016 or similar laws and regulations could result in significant expenses, divert management attention, and otherwise have a negative impact on the Seadrill Group.").
ABS.....	The American Bureau of Shipping.
ADES.....	ADES Arabia Holding Ltd. together with its subsidiaries.
Aquadrill.....	Aquadrill LLC, a Marshall Islands limited liability company.
Aquadrill 2021 Annual Financial Statements.....	The audited consolidated financial statements for Aquadrill as of and for the year ended 31 December 2021 prepared in accordance with U.S. GAAP.
Aquadrill 2020 Annual Financial Statements.....	The audited consolidated financial statements for Aquadrill as of and for the year ended 31 December 2020 prepared in accordance with U.S. GAAP.
Aquadrill Common Unit.....	A common unit representing a membership interest of Aquadrill.
Aquadrill Equity Awards.....	The Outstanding RSUs, the Outstanding PARs and the Outstanding Pus, together.
Aquadrill Group.....	Aquadrill and its consolidated subsidiaries.
Aquadrill Interim Financial Statements.....	The unaudited consolidated financial statements for Aquadrill as of and for the nine months ended 30 September 2022 prepared in accordance with U.S. GAAP.
Aquadrill PAR.....	An Aquadrill phantom appreciation right.
Aquadrill PU.....	An Aquadrill phantom common unit award.
Aquadrill Reorganization.....	As defined in Section 7.1 ("Basis of pro forma presentation").
Aquadrill RSU.....	An Aquadrill restricted settlement unit award.
Aquadrill Sale Bonus.....	As defined and described in Section 4.5.3 ("Aquadrill Sale Bonus").
ASC.....	Accounting Standards Codification.
ASC 805.....	ASC Topic 805, Business Combinations.
ASC 852.....	ASC Topic 852, Reorganizations.
Baker Botts.....	Baker Botts L.L.P.
Bermuda Companies Act.....	The Bermuda Companies Act 1981, as amended.
BIS.....	The U.S. Department of Commerce Bureau of Industry and Security.
Brexit.....	The U.K.'s exit process from the EU.
Bunker Convention.....	The International Convention on Civil Liability for Bunker Oil Pollution Damage.
Business Day.....	Any day other than a Saturday, Sunday or a day on which the banks in London, England, Oslo, Norway, New York, New York, Houston, Texas, Bermuda or the Republic of the Marshall Islands are authorized or required by law or executive order to be closed for general banking business.
BWM Convention.....	The International Convention for the Control and Management of Ships' Ballast Water and Sediments of 2004, as from time to time amended.
Cabotage Act.....	The Coastal and Inland Shipping (Cabotage) Act 2003.
Cash Election.....	As defined and described in Section <b>Error! Reference source not found.</b> (" <b>Error! Reference source not found.</b> ").
CAATSA.....	The "Countering America's Adversaries Through Sanctions Act" (Public Law 115-44).

CERCLA .....	The U.S. Comprehensive Environmental Response, Compensation, and Liability Act.
Chapter 11 Proceedings.....	The voluntary petitions for a corporate reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas, Victoria Division filed by Old Seadrill and certain of its subsidiaries.
CLC .....	The International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended.
Closing .....	The closing of the Merger.
Closing Date.....	The date on which the Closing actually occurs.
Code.....	The U.S. Internal Revenue Code of 1986, as amended.
Combined Company.....	The combined company resulting from consummation of the Merger.
Consent .....	The written consent executed and delivered to Seadrill by the Consenting Members, described in Section 4.1 ("Introduction and description of the Merger").
Consenting Majority Members ..	The Consenting Members holding at least a majority of Aquadrill Common Units held by all of the Consenting Members as of the date of the Merger Agreement.
Consenting Members.....	The holders and beneficial owners of Aquadrill Common Units, collectively holding more than 75% of the issued and outstanding Aquadrill Common Units which executed and delivered to Seadrill the Voting and Support Agreement and the Consent.
Convertible Bond .....	The unsecured senior convertible bond issued to Hemen Holdings Ltd.
DNV GL .....	Det Norske Veritas and Germanisher Lloyd.
DTC.....	The Depository Trust Company.
EAR .....	The Export Administration Regulations.
Effective Time .....	The effective time of the Merger.
EIM .....	Elliott Investment Management L.P., a Delaware limited partnership
EIM GP .....	Elliott Investment Management GP LLC, a Delaware limited liability company
Elliott Associates .....	Elliott Associates, L.P.
Elliott International .....	Elliott International, L.P.
EPA .....	The U.S. Environment Protection Agency.
ESA .....	The Bermuda Economic Substance Act 2018 (as amended) and related regulations.
ESG .....	Environmental, Social and Governance.
EU .....	The European Union.
EU Prospectus Regulation .....	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2014/71/EC, as amended, and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act.
Exempted Document .....	This exempted document dated 31 March 2023.
FCPA.....	The U.S. Foreign Corrupt Practices Act of 1977.
Final PAR Exchange Ratio .....	Calculated as set out in <a href="#">Appendix B</a> .
Final Unit Exchange Ratio .....	Calculated as set out in <a href="#">Appendix B</a> .
IFCA .....	The Iran Freedom and Counter-Proliferation Act of 2012.
GDPR.....	The General Data Protection Regulations (EU) 2016/679.
Gulfdrill.....	Gulfdrill LLC.

HSR Act .....	The U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.
IFCA .....	The Iran Freedom and Counter-Proliferation Act of 2012.
IMO .....	The United Nation's International Maritime Organization.
Inflation Reduction Act.....	The U.S. Inflation Reduction Act of 2022 enacted by the United States on 16 August 2022.
IRS .....	The Internal Revenue Service.
ISM Code .....	The International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention.
Jack-up Sale.....	The sale of the legal entities that owned and operated seven jack-ups in the Kingdom of Saudi Arabia to ADES.
LIBOR .....	The London Interbank Offered Rate.
Management Incentive Plan.....	The management incentive plan of Seadrill, approved by Seadrill's board of directors on 6 August 2022.
MARPOL.....	The International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended.
Marshall Islands Act.....	The Limited Liability Company Act of 1996 of the Republic of the Marshall Islands, as amended, supplemented or restated from time to time, and any successor statute. Marshall Islands Act
MEPC.....	The IMO's Maritime Environment Protection Committee.
Merger .....	The contemplated merger between Seadrill, Merger Sub and Aquadrill governed by the Merger Agreement.
Merger Agreement .....	The Agreement and Plan of Merger entered into between Seadrill, Merger Sub and Aquadrill, dated 22 December 2022.
Merger Consideration .....	The up to 30,645,160 Seadrill Common Shares to be issued in accordance with the Merger Agreement.
Merger Registrable Securities ....	As defined and described in Section 4.9.2 ("Seadrill Common Shares issued in the Merger").
Merger Registration Rights Agreement .....	The registration rights agreement to be executed by the Consenting Members and Seadrill.
Merger Sub .....	Seadrill Merger Sub, LLC, a Marshall Islands limited liability company.
MEUL.....	The Military End User List established by BIS.
MSA Managers .....	As defined in risk factor no. 1.1.9 ("Third parties or MSA Managers may terminate or alter existing contracts with Aquadrill or other third parties as a result of closing the transactions contemplated by the Merger Agreement.").
MSAs .....	As defined in risk factor no. 1.1.9 ("Third parties or MSA Managers may terminate or alter existing contracts with Aquadrill or other third parties as a result of closing the transactions contemplated by the Merger Agreement.").
MTSA.....	The U.S. Maritime Transportation Security Act of 2002.
NMASA.....	The Nigerian Maritime Administration and Safety Agency.
Noteholders.....	The holders of the Senior Secured Notes.
NSNCo .....	Seadrill New Finance Limited (now PES).
NYSE.....	The New York Stock Exchange.
OCSLA .....	The U.S. Outer Continental Shelf Lands Act.
OFAC .....	The Office of Foreign Assets Control.

Old Seadrill.....	The former parent holding company of the Seadrill Group and predecessor of Seadrill, Seadrill Limited.
OPA .....	The U.S. Oil Pollution Act of 1990.
OPEC .....	The Organization of the Petroleum Exporting Countries.
Oro Negro .....	Perforadora Oro Negro, S. DE R.L. DE C.V
Outside Director.....	Each non-employee member of the Aquadrill's board of directors.
Outstanding Common Unit .....	Each Aquadrill Common Unit that is issued and outstanding as of immediately prior to the Effective Time (other than any Aquadrill Common Units owned by Aquadrill, Merger Sub, Seadrill or any of their wholly owned subsidiaries).
Outstanding RSU.....	Each Aquadrill RSU outstanding immediately prior to the Effective Time.
Outstanding PAR.....	Each Aquadrill PAR outstanding immediately prior to the Effective Time.
Outstanding PU.....	Each Aquadrill PU outstanding immediately prior to the Effective Time.
Paratus MSA .....	The master services agreement by and between PES and Seadrill Management, dated 20 January 2022.
PES .....	Paratus Energy Services Limited.
Polus Capital.....	Polus Capital Management Limited and Polus Capital Management Group Limited together.
Predecessor .....	The predecessor entities of Seadrill and Aquadrill.
Pro Forma Financial Information	The unaudited pro forma condensed consolidated financial information of Seadrill prepared to illustrate the effects of the Merger, as further described in Sections 3.2.3 ("Pro forma financial information") and 7 ("Unaudited pro forma consolidated financial information").
Prospectus .....	Seadrill's prospectus dated 27 April 2022, prepared in connection with the listing of the Seadrill Common Shares on Euronext Expand.
PRSUs.....	Performance Restricted Stock Units.
PwC .....	PricewaterhouseCoopers LLP (United Kingdom).
Registrar Agreement .....	The deposit and registrar agreement entered into between Seadrill and the VPS Registrar.
Registration Statement .....	The registration statement on Form F-4, as amended filed by Seadrill with SEC with respect to the issuance of Seadrill Common Shares, other than the issuance of Seadrill Common Shares to the Consenting Members, under the U.S. Securities Act.
Sale Bonus Award Agreement ...	The sale bonus award agreement entered into between Aquadrill and Steven Newman dated 24 May 2021.
Seadrill.....	Seadrill Limited, an exempted company limited by shares incorporated under the laws of Bermuda with registration number 202100496.
Seadrill Annual Financial Statements.....	The audited consolidated financial statements for Seadrill as of and for the fiscal year ended 31 December 2021 prepared in accordance with U.S. GAAP.
Seadrill Common Share .....	Seadrill's common shares, each with a par value of USD 0.01.
Seadrill Group.....	Seadrill and its consolidated subsidiaries.
Seadrill Interim Financial Statements.....	The unaudited consolidated financial statements for Seadrill as of and for the nine months ended 30 September 2022 prepared in accordance with U.S. GAAP.
Seadrill Management .....	Seadrill Management Ltd.
Seadrill Reorganization .....	As defined in Section 7.1 ("Basis of pro forma presentation").
SeaMex Holdings .....	SeaMex Holdings Ltd.



SeaMex MSA.....	The master services agreement by and among SeaMex Holdings, certain operating companies party thereto and Seadrill Management, dated 20 January 2022.
SEC .....	The U.S. Securities and Exchange Commission.
Senior Secured Notes.....	The senior secured notes issued by NSNCo in connection with the restructuring that took place as part of the Chapter 11 Proceedings.
SFL.....	Ship Finance International Limited.
SMUNL.....	Seadrill Mobile Units Nigeria Ltd.
SOLAS .....	The International Convention for the Safety of Life at Sea of 1974, as from time to time amended.
Sonadrill .....	Sonadrill Holding Ltd.
Strike Price .....	The exercise price of USD 27.52 per Aquadrill PAR.
Successor .....	As defined in Section 7.5 ("Notes to the Pro Forma Financial Information").
Transfer Agent.....	Computershare Trust Company, N.A.
TRSUs.....	Time-Vested Restricted Stock Units.
UK Bribery Act .....	The United Kingdom Bribery Act 2010.
U.S. GAAP .....	Generally accepted accounting principles in the United States of America.
U.S. Securities Act .....	The United States Securities Act of 1933, as amended.
USCG.....	The U.S. Coast Guard.
Voting and Support Agreement.	The voting and support agreement executed by the Consenting Members in connection with the Merger Agreement, described in Section 4.1 ("Introduction and description of the Merger").
VPS .....	The Norwegian Central Securities Depository.
VPS Registrar .....	DNB Bank ASA.
VWAP .....	The volume-weighted average price of a share of Seadrill Common Shares on the NYSE for the 20 trading days ending on the trading day immediately prior to the Closing Date.

## **APPENDIX A**

### **Independent practitioner's assurance report on the compilation of pro forma financial information**



Seadrill Limited  
Park Place  
55 Par la Ville Road  
Hamilton  
HM 11  
Bermuda

## **Independent Practitioner’s Assurance Report on the compilation of pro forma financial information included in an Exempted Document**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Seadrill Limited (the ‘Company’) by the board of directors of Seadrill Limited (the ‘Directors’). The pro forma financial information consists of the unaudited pro forma condensed consolidated statements of operations for the nine months ended 30 September 2022 and the year ended 31 December 2021, the unaudited pro forma condensed consolidated balance sheet as of 30 September 2022, and related notes as set in Section 7 of the exempted document (the ‘Exempted Document’) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Annex 20 to Commission Delegated Regulation (EU) 2019/980, supplementing Regulation (EU) 2017/1129, which is incorporated in section 7-1 of the Norwegian Securities Trading Act and described in Note 1 of Section 7.5 of the Exempted Document (“**applicable criteria**”).

The pro forma financial information has been compiled by the Directors to illustrate the impact of the effects of the contemplated merger between Aquadrill LLC and Seadrill Limited and the impact of several transactions which have been completed since 1 January 2021 as set out in Section 7 of the Exempted Document (the ‘Transactions’), on the condensed consolidated statement of operations for the nine months ended 30 September 2022 and the year ended 31 December 2021 as if the Transactions had taken place on 1 January 2022 and 1 January 2021 respectively, and the condensed consolidated balance sheet as of 30 September 2022 as if the Transactions had taken place on 30 September 2022. As part of this process, information about the Company’s financial position and financial performance has been extracted by the Directors from the Company’s consolidated financial statements for the nine months ended 30 September 2022, on which no audit or review report has been published, and for the year ended 31 December 2021, on which an audit report has been published.

### **The Director’s responsibility for the pro forma financial information**

The Directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria.

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*PricewaterhouseCoopers LLP, 40 Clarendon Road, Watford, WD17 1JJ  
T: +44 (0) 1923 740 371, [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.



## **Our independence and quality management**

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the Revised Ethical Standard (2019) issued by the UK Financial Reporting Council.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Practitioner's responsibilities**

Our responsibility is to express an opinion, as required by Annex 20 to Commission Delegated Regulation (EU) 2019/980, supplementing Regulation (EU) 2017/1129, which is incorporated in section 7-1 of the Norwegian Securities and Trading Act, about whether the pro forma financial information has been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance engagements to report on the compilation of pro forma financial information included in a prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an Exempted Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at and for the nine months period ended 30 September 2022 and for the year ended 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.



The procedures selected depend on the practitioner's judgement, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the company.

### **Intended users and purpose**

This pro forma financial information has been prepared solely in connection with the issuance and listing of the Company's common shares on Oslo Børs (the Oslo Stock Exchange) as set out in the Exempted Document. Therefore, this report is not intended to be used in other jurisdictions and should not be used or relied upon for any purpose other than the issuance and listing of the common shares described above.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

31 March 2023

## **APPENDIX B**

### **Final Unit Exchange Ratio – Example calculations**

### **Final Exchange Ratio Calculations**

**Final Unit Exchange Ratio** = (Parent Net Shares + Parent Share Equivalent Strike Price) / Company Fully Diluted Units)

Where:

Parent Net Shares	=	Aggregate Merger Consideration – Company Sale Bonus
	=	30,645,160 – Company Sale Bonus
Parent Share Equivalent Strike Price	=	(In-The-Money PARs x Strike Price) / VWAP
	=	(In-The-Money PARs x USD 27.52) / VWAP
In-The-Money PARs	=	Outstanding PARs if Final Unit Exchange Ratio is greater than (Strike Price / VWAP), otherwise zero <sup>1</sup>
Company Fully Diluted Units	=	Outstanding Common Units + Outstanding RSUs + Outstanding PUs + In-The-Money PARs
Final PAR Exchange Ratio	=	The greater of (i) ((Final Unit Exchange Ratio x VWAP) – Strike Price) / VWAP; and (ii) zero.

**Example Calculation:**

Assume: Outstanding PARs = 570,000  
 Outstanding Common Units = 20,000,000  
 Outstanding RSUs = 122,104  
 Outstanding PUs = 105,700  
 VWAP = USD 30.99107

In-The-Money PARs = 570,000

Company Fully Diluted Units = 20,797,804

Company Sale Bonus (per Company Sale Bonus Calculation below) = 1,671,432.69865

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<sup>1</sup> For purposes of determining whether Final Unit Exchange Ratio is greater than (Strike Price / VWAP), Final Unit Exchange Ratio should initially be calculated assuming In-The-Money PARs equal Outstanding PARs. If Final Unit Exchange Ratio calculated under this assumption is not greater than (Strike Price / VWAP), In-The-Money PARs shall equal zero and Final Unit Exchange Ratio shall be recalculated accordingly.

Parent Net Shares = 30,645,160 – 1,671,432.69865  
 = 28,973,727.30135

Parent Share Equivalent Strike Price = (570,000 x \$27.52) / \$30.99107  
 = 506,158.70959

Final Unit Exchange Ratio = (28,973,727.30135 + 506,158.70959) / 20,797,804  
 = 1.41745

Final PAR Exchange Ratio = ((1.41745 x USD 30.99107) – USD 27.52) / USD 30.99107  
 = 0.52945

Parent Ordinary Shares to be issued:

Company Common Units	=	1.41745 x 20,000,000 = 28,349,037 Parent Ordinary Shares
RSUs	=	1.41745 x 122,104 = 173,077 Parent Ordinary Shares
PUs	=	1.41745 x 105,700 = 149,825 Parent Ordinary Shares
PARs	=	0.52945 x 570,000 = 301,789 Parent Ordinary Shares
Company Sale Bonus	=	<u>1,671,433 Parent Ordinary Shares</u>
	=	<u>30,645,160 Parent Ordinary Shares</u>

### Company Sale Bonus Calculation

Company Sale Bonus	= Actual Bonus Pool / VWAP
Actual Bonus Pool	= Interest Factor Adjustment x (Total Monetization Value x Applicable Target Bonus Pool as % of TMV)
Interest Factor Adjustment	= $1.1^x$ Where $x$ = number of days from and including the Closing Date through and excluding 24 May 2024 / 365
Total Monetization Value	= Outstanding Common Units x Interim Exchange Ratio x VWAP
Interim Exchange Ratio	= (Aggregate Merger Consideration + Interim Parent Share Equivalent Strike Price) / Interim Company Fully Diluted Units
Interim Parent Share Equivalent Strike Price	= (Interim In-The-Money PARs x Strike Price) / VWAP
Interim In-The-Money PARs	= Outstanding PARs if Interim Exchange Ratio is greater than (Strike Price / VWAP), otherwise zero <sup>1</sup>
Interim Company Fully Diluted Units	= Outstanding Common Units + Outstanding RSUs + Outstanding PUs + Interim In-The-Money PARs

The term "Applicable Target Bonus Pool as % of TMV" as used in the calculation of Actual Bonus Pool shall be a percentage that varies based on the Total Monetization Value, determined as follows:

<u>Total Monetization Value</u>	<u>Applicable Target Bonus Pool as % of TMV</u>
USD 0 to USD 267,800,000	0%
From USD 267,800,001 to USD 617,800,000	An amount from 0% at USD 267,800,000 and 3.5% at USD 617,800,000, with linear interpolation of such percentage starting from USD 267,800,000 and ending at USD 617,800,000
From USD 617,800,001 to USD 917,800,000	An amount from 3.5% at USD 617,800,000 to 5% at USD 917,800,000, with linear interpolation of such percentage starting from USD 617,800,000 and ending at USD 917,800,000
More than USD 917,800,000	5%

<sup>1</sup> For purposes of determining whether Interim Exchange Ratio is greater than (Strike Price / VWAP), Interim Exchange Ratio should initially be calculated assuming Interim In-The-Money PARs equal Outstanding PARs. If Interim Exchange Ratio calculated under this assumption is not greater than (Strike Price / VWAP), Interim In-The-Money PARs shall equal zero and Interim Exchange Ratio shall be recalculated accordingly.

For the avoidance of doubt, notwithstanding anything to the contrary set forth in the Sale Bonus Award Agreement, the Actual Bonus Pool will be calculated in connection with the Closing as described herein and paid as soon as is reasonably practicable following the Closing, subject to the conditions of, and as described in, the Merger Agreement.

#### Example Calculation:

Assume: Outstanding PARs	= 570,000
Outstanding Common Units	= 20,000,000
Outstanding RSUs	= 122,104
Outstanding PUs	= 105,700
VWAP	= USD 30.99107
Closing Date	= 31 March 2023
Interim In-The-Money PARs	= 570,000
Interim Parent Share Equivalent Strike Price	= (570,000 x USD 27.52) / USD 30.99107
	= 506,158.70959
Interim Company Fully Diluted Units	= 20,797,804
Interim Exchange Ratio	= (30,645,160 + 506,158.70959) / 20,797,804



	= 1.49782
Total Monetization Value	= 20,000,000 x 1.49782 x USD 30.99107 = USD 928,379,456.52454
Applicable Target Bonus Pool as % of TMV	= 5.00000%
Interest Factor Adjustment	= $1.1^{(420/365)}$ = 1.11591
Actual Bonus Pool	= 1.11591 x USD 928,379,456.52454 x 0.0500000 = USD 51,799,487.76415
Company Sale Bonus	= USD 51,799,487.76415 / USD 30.99107 = 1,671,432.69865



**Seadrill Limited**

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