


# Conference call – Q1 2011 results

May 27, 2011

Seadrill

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# Highlights – First quarter 2011

- EBITDA of US$573m compared to US$592m in the preceding quarter (ex gain on sale)
- Net income of US$823m, including US$477m in accounting gain on Seawell merger, and earnings per share of US$1.84
- Cash dividend of US$0.75 per share
- Establishes a harsh environment focused drilling company, North Atlantic Drilling Ltd
- Orders a new harsh environment jack-up rig and signs a five-year contract with ConocoPhillips
- Orders two tender rigs against five-year contracts from Chevron
- Takes delivery of one ultra-deepwater semi-submersible rig and one semi-tender rig
- Seawell completes the merger with Allis-Chalmers Energy Inc and is deconsolidated in Seadrill's accounts

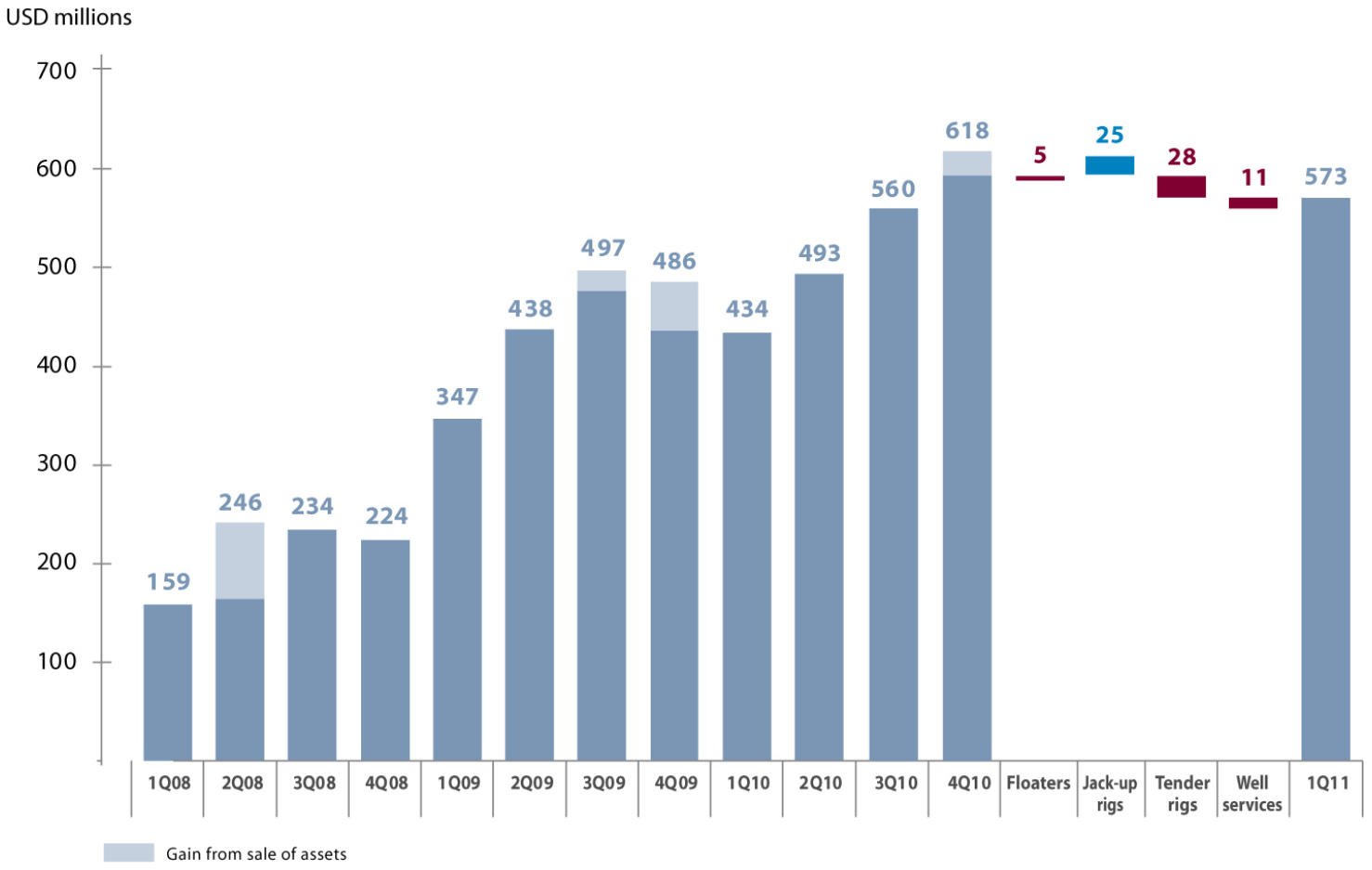
# Subsequent events

- Exercises our right to call the remaining US$750 million of the 2012 convertible bond
- Repurchases 2.5 million of its own common shares
- Orders a new ultra-deepwater drillship at Samsung for an all-in cost of US$600 million
- Secures new contracts with an estimated value of US$1.2 billion
- Orders a new tender rig from COSCO in China for a total consideration of US$115 million
- Agrees to sell the jack-up rig West Juno for a total consideration of US$248.5 million
- Transfers construction contract for jack-up West Linus and drilling contract to North Atlantic Drilling Ltd

# Financial performance highlights

- Changed segment reporting, introduced Jack-up rigs as a separate segment
- Seawell, now renamed Archer deconsolidated February 23, 2011
- EBITDA US$573m (US$592m)
- Earnings per share US$1.84 per share (US$0.61 per share)
- Operating profit US$430m (US$453m)
- Financial items US$441m (-US$176m)
  - Including a gain of US$477 related to loss of control in Seawell
- Cash flow from operating activities US$509m (US$374m)
- Dividend declared US$0.75 per share (US$0.675 + 0.2 per share)

# EBITDA contribution



# Operating Income

**Total Seadrill**

| *Unaudited accounts in USD millions* | 1Q11 | 4Q10 | 3Q10 | 2Q10 |
|---|---|---|---|---|
| Operating revenues | 1 081 | 1 105 | 1 022 | 886 |
| Reimbursables | 26 | 60 | 60 | 39 |
| Other revenues | 3 | 4 | 4 | 8 |
| Total operating revenues | 1 110 | 1 169 | 1 086 | 933 |
| Gain on sale of assets | 0 | 26 | 0 | 0 |
| Vessel and rig operating expenses | 460 | 465 | 425 | 364 |
| Reimbursable expenses | 25 | 54 | 56 | 37 |
| Depreciation and amortisation | 143 | 139 | 129 | 109 |
| General and administrative expenses | 52 | 58 | 45 | 39 |
| Total operating expenses | 680 | 716 | 655 | 549 |
| **Net operating income** | **430** | **479** | **431** | **384** |

# Net Income

**Total Seadrill**

| *Unaudited accounts in USD millions* | 1Q11 | 4Q10 | 3Q10 | 2Q10 |
|---|---|---|---|---|
| **Net operating income** | **430** | **479** | **431** | **384** |
| Financial items | | | | |
| Interest income | 6 | 6 | 9 | 9 |
| Interest expense | -77 | -109 | -98 | -58 |
| Share in results from associated companies | 19 | 10 | 15 | 5 |
| Gain on derivatives | 41 | 77 | 75 | -168 |
| Other financial items | 452 | -160 | -34 | 212 |
| **Total financial items** | **441** | **-176** | **-33** | **0** |
| **Income before income taxes** | **871** | **303** | **398** | **384** |
| Income taxes | -48 | -35 | -41 | -54 |
| **Net income** | **823** | **268** | **357** | **330** |
| Earnings per share (US dollar) | 1.84 | 0.61 | 0.85 | 0.77 |

# Operating Income

**Floaters**

| *Unaudited accounts in USD millions* | 1Q11 | 4Q10 | 3Q10 | 2Q10 |
|---|---|---|---|---|
| Operating revenues | 624 | 616 | 550 | 504 |
| Reimbursables | 17 | 11 | 27 | 11 |
| Other revenues | 9 | 10 | 10 | 8 |
| Total operating revenues | 650 | 637 | 587 | 523 |
| Gain on sale of assets | 0 | 0 | 0 | 0 |
| Vessel and rig operating expenses | 205 | 191 | 160 | 149 |
| Reimbursable expenses | 16 | 9 | 26 | 10 |
| Depreciation and amortisation | 89 | 84 | 79 | 70 |
| General and administrative expenses | 28 | 31 | 26 | 24 |
| Total operating expenses | 338 | 315 | 291 | 253 |
| **Net operating income** | **312** | **322** | **296** | **270** |

# Operating Income

**Jack-up rigs**

| *Unaudited accounts in USD millions* | 1Q11 | 4Q10 | 3Q10 | 2Q10 |
|---|---|---|---|---|
| Operating revenues | 204 | 181 | 192 | 117 |
| Reimbursables | 2 | 7 | 10 | 2 |
| Other revenues | -6 | -6 | -6 | -2 |
| Total operating revenues | 200 | 182 | 196 | 117 |
| Gain on sale of assets | 0 | 26 | 0 | 0 |
| Vessel and rig operating expenses | 89 | 92 | 88 | 51 |
| Reimbursable expenses | 2 | 5 | 8 | 2 |
| Depreciation and amortisation | 34 | 33 | 30 | 19 |
| General and administrative expenses | 11 | 12 | 8 | 5 |
| Total operating expenses | 136 | 142 | 134 | 77 |
| **Net operating income** | **64** | **66** | **62** | **40** |

# Operating Income

**Tender rigs**

| *Unaudited accounts in USD millions* | 1Q11 | 4Q10 | 3Q10 | 2Q10 |
|---|---|---|---|---|
| Operating revenues | 126 | 136 | 125 | 123 |
| Reimbursables | 3 | 2 | 3 | 2 |
| Other revenues | 0 | 0 | 0 | 0 |
| Total operating revenues | 129 | 138 | 128 | 125 |
| Gain on sale of assets | 0 | 0 | 0 | 0 |
| Vessel and rig operating expenses | 56 | 41 | 48 | 47 |
| Reimbursable expenses | 3 | 1 | 2 | 2 |
| Depreciation and amortisation | 13 | 15 | 15 | 15 |
| General and administrative expenses | 8 | 6 | 5 | 6 |
| Total operating expenses | 80 | 63 | 70 | 70 |
| **Net operating income** | **49** | **75** | **58** | **55** |

# Operating Income

**Well Services**

| *Unaudited accounts in USD millions* | 1Q11 | 4Q10 | 3Q10 | 2Q10 |
|---|---|---|---|---|
| Operating revenues | 127 | 172 | 155 | 142 |
| Reimbursables | 4 | 41 | 20 | 24 |
| Other revenues | 0 | 0 | 0 | 2 |
| Total operating revenues | 131 | 213 | 175 | 168 |
| Gain on sale of assets | 0 | 0 | 0 | 0 |
| Vessel and rig operating expenses | 110 | 141 | 129 | 117 |
| Reimbursable expenses | 4 | 39 | 20 | 23 |
| Depreciation and amortisation | 7 | 6 | 5 | 5 |
| General and administrative expenses | 5 | 9 | 6 | 4 |
| Total operating expenses | 126 | 195 | 160 | 149 |
| **Net operating income** | **5** | **18** | **15** | **19** |

# Seadrill Balance Sheet

**Assets**

| *Unaudited accounts in USD millions* | 31.03.11 | 31.12.10 |
|---|---|---|
| Current assets | | |
| Cash (incl restrictive) | 971 | 910 |
| Marketable securities | 759 | 598 |
| Accounts receivable | 440 | 696 |
| Other current assets | 595 | 679 |
| Total current assets | 2 765 | 2 883 |
| | | |
| Non-current assets | | |
| Investments in associated companies | 930 | 205 |
| Newbuildings | 2 167 | 1 247 |
| Drilling units | 10 912 | 10 795 |
| Goodwill | 1 320 | 1 676 |
| Other non-current assets | 479 | 691 |
| Total non-current assets | 15 808 | 14 614 |
| | | |
| **Total assets** | **18 573** | **17 497** |

# Seadrill Balance Sheet

**Liabilities and Shareholders Equity**

| *Unaudited accounts in USD millions* | 31.03.11 | 31.12.10 |
|---|---|---|
| Current liabilities | | |
| Current portion of long-term debt | 987 | 981 |
| Other current liabilities | 1 326 | 1 534 |
| Total current assets | 2 313 | 2 515 |
| | | |
| Non-current liabilities | | |
| Long-term interest bearing debt | 8 838 | 8 176 |
| Long-term debt to related party | 435 | 435 |
| Other non-current liabilities | 356 | 434 |
| Total non-current liabilities | 9 629 | 9 045 |
| | | |
| Temporary non-controlling interest | 425 | 0 |
| | | |
| Shareholders' equity | 6 206 | 5 937 |
| Total shareholders' equity | 6 206 | 5 937 |
| | | |
| **Total liabilities and shareholders' equity** | **18 573** | **17 497** |

# Worldwide operations

**North Atlantic - 5 units**



- 3 Semis
- 1 Jack-up
- 1 Drillship

**Americas - 9 units**



Gulf of Mexico
- 2 Semis



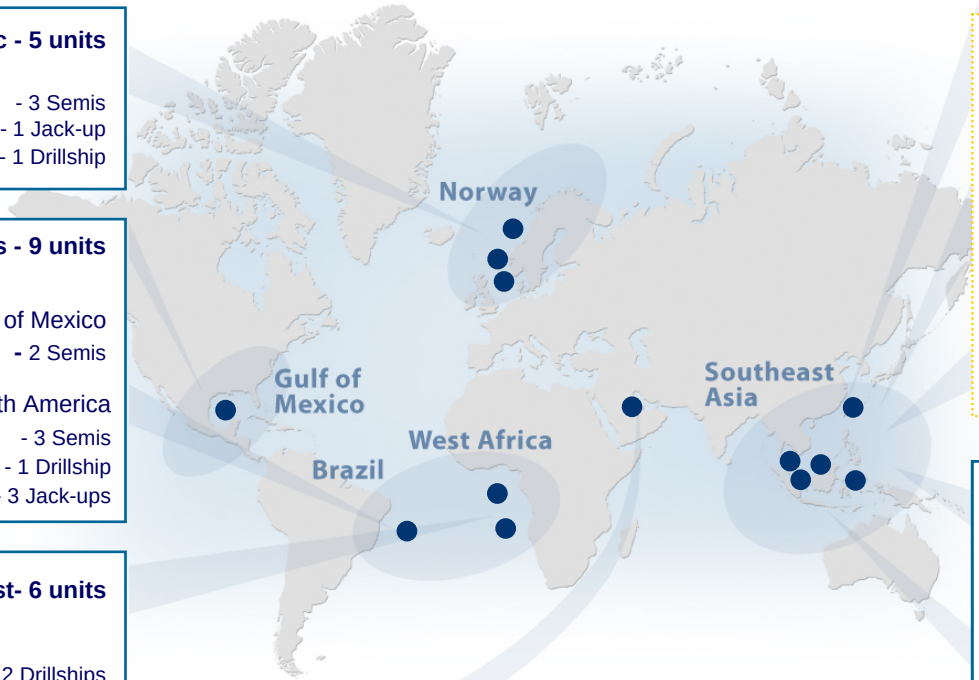
South America
- 3 Semis
- 1 Drillship
- 3 Jack-ups

**Africa-Middle East- 6 units**





- 2 Drillships
- 2 Semi-tenders
- 2 Jack-ups




**Newbuilds - 14 units**



- 2 Semis
- 3 Drillships



- 2 HE jack-ups
- 4 BE jack-ups



- 3 Tender rigs

**Asia Pacific - 26 units**



- 2 Semis



- 5 Semi-tenders
- 9 Tender rigs



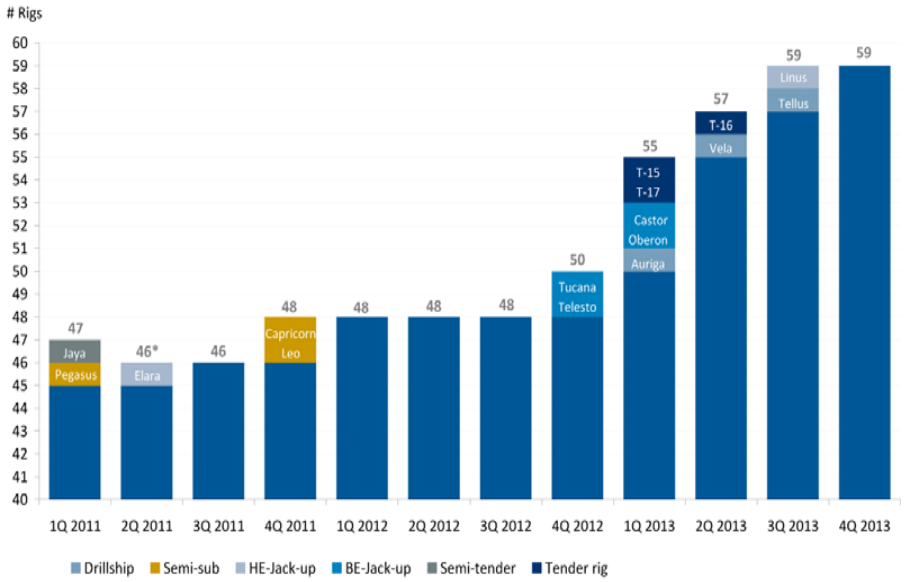
- 10 Jack-ups

**Operations in all important oil and gas regions**

# Newbuild portfolio increased by 5 units

- 1 HEJU ordered from Jurong for US$530m against 5 year contract with ConocoPhillips
- 1 ultra-deepwater drillships ordered on speculation from Samsung for US$600 million
- 3 tender rigs ordered from COSCO for a price per rig of US$115m of which 2 of the 3 rigs simultaneously secured 5 year contracts with Chevron.

## Fleet development



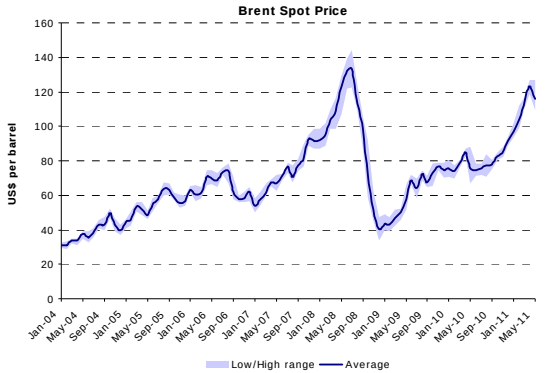

**Further invests US$1.5 billion in new quality rigs**

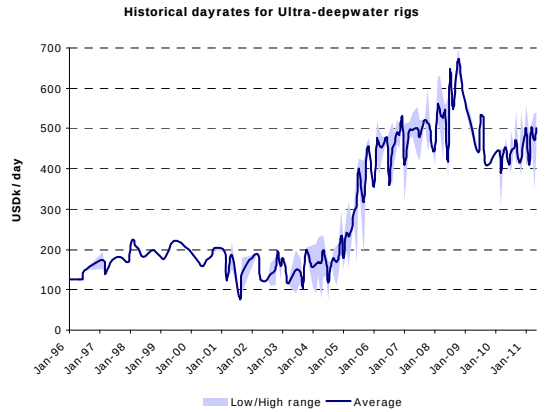


** Adjusted for divestment of West Juno and T8*

# Market development

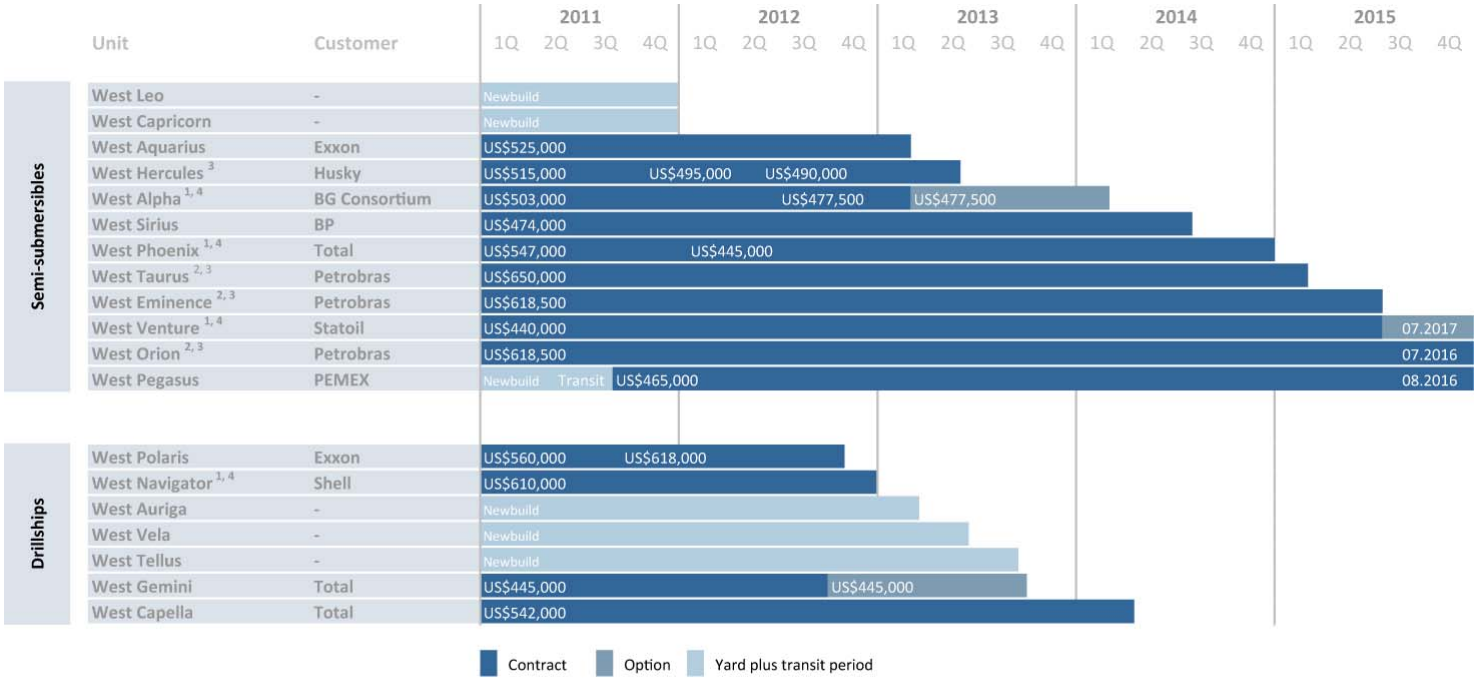
- Favorable oil price environment
- Strong growth in E&P spending
- Trend towards more challenging and complex resources continues
- Industry focused on new equipment continues with bifurcation in both jack-up and floater market
- Significant increase in tenders and request from customers
- Recent fixtures suggest tighter market balance




**Keeping our finger on the pulse of the market**

# US$8.4 billion contract backlog - Floaters




[1] Dayrate is partly in Norwegian kroner (USD /NOK 5.50)

[2] Dayrate is partly in Brazilian Real and includes five percent performance incentive as well as estimated compensation for tax.

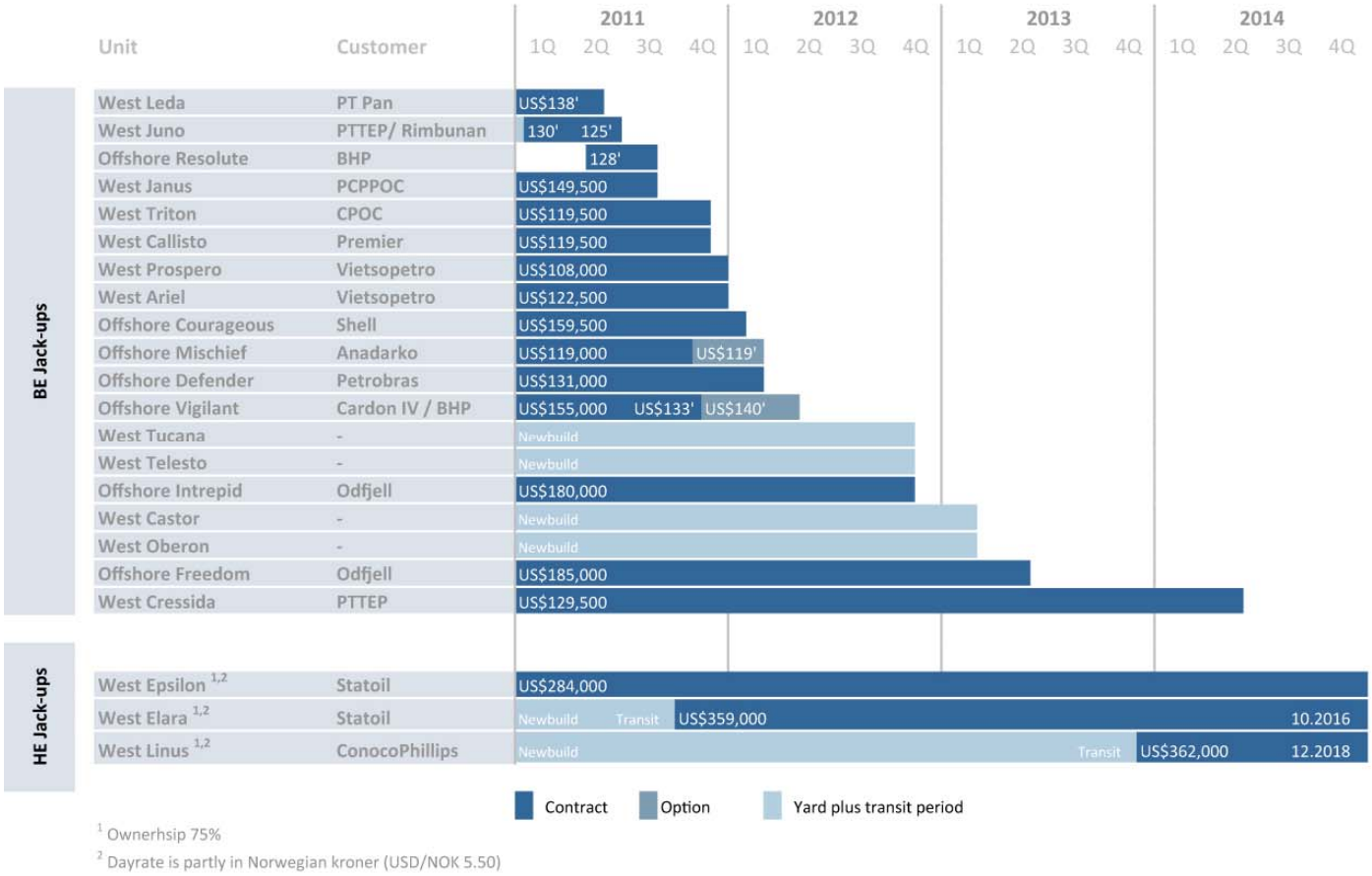
[3] Dayrate will in the accounts be booked partly net of service tax.

[4] Ownership 75%

**Staggered contract portfolio offers flexibility**



# US$2.4 billion contract backlog - Jack-ups



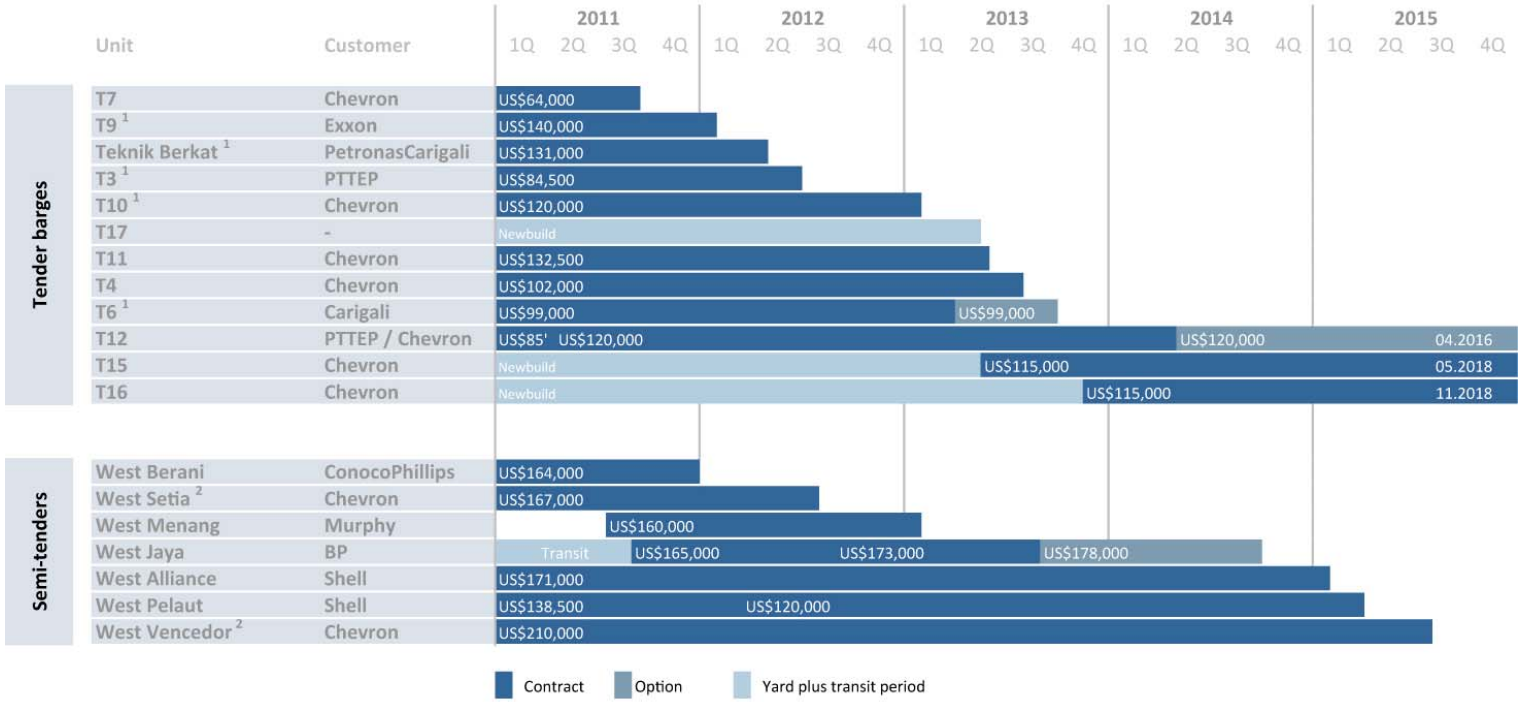

[1] Ownerhsip 75%

[2] Dayrate is partly in Norwegian kroner (USD/NOK 5.50)

**Strong interest in premium rigs continues**



# US$1.8 billion contract backlog - Tender rigs




[1] Ownership 49%

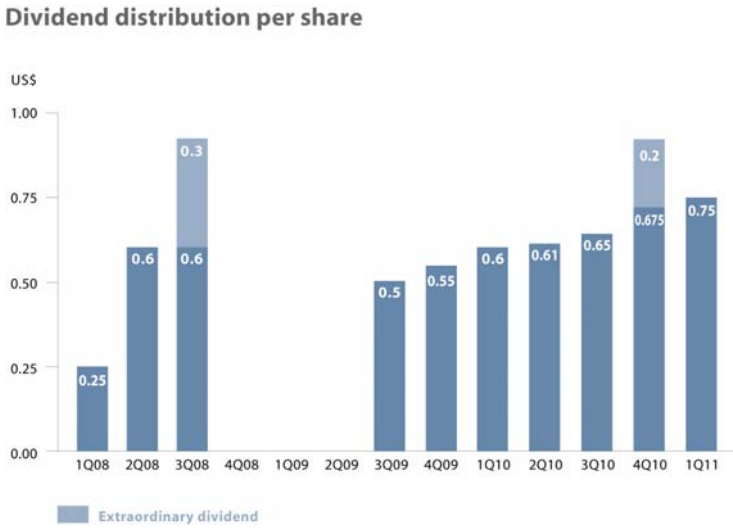
[2] Dayrate is partly in Euros (EUR/USD 1.40)

**Market support strong EBITDA margins**



# Dividend distribution and policy

- Cash dividend resolved at US$0.75 per share
- Increase reflects improved free cash flow and earnings visibility
- Future dividend depends on:
  - Contract coverage
  - Capital expenditure programs and other investments
  - Debt leverage
  - Business outlook
- Distribution of quarterly cash dividend is a key objective




| US$ | Regular cash dividend per share | Extraordinary cash dividend per share | EX dividend date | Payable date |
|---|---|---|---|---|
| 1Q 2011 | 0.75 | | Jun 6, 2011 | Jun 17, 2011 |
| 4Q 2010 | 0.68 | 0.20 | Mar 2, 2011 | Mar 16, 2011 |
| 3Q 2010 | 0.65 | | Dec 16, 2010 | Dec 30, 2010 |
| 2Q 2010 | 0.61 | | Sep 8, 2010 | Sep 24, 2010 |
| 1Q 2010 | 0.60 | | Jun 15, 2010 | Jul 2, 2010 |
| 4Q 2009 | 0.55 | | Mar 15, 2010 | March 26, 2010 |
| 3Q 2009 | 0.50 | | Nov 23, 2009 | Dec 7, 2009 |

**Long term objective is to grow our cash dividend**

# Seadrill is uniquely positioned

- Diverse versatile fleet of brand new rigs
- Operations expanded to new geographical regions
- Strong operational performance
- Market prospects are improving for all asset classes
- Flexibility to meet demand growth though newbuild program and newbuild options
- NADL subsidiary increase financial flexibility and creates M&A tool

**Fleet composition match customers future demand**

# Asset portfolio

| Core fleet – 50 units built after Y2000 | | 10 built before Y2000 |
|---|---|---|
|  | 17 Ultra-Deepwater Units + 1 Mid-water semi | 1 Mid-water Semi |
|  | 20 High Specification Jack-ups | 2 Jack-ups |
|  | 12 Tender Rigs | 7 Tender Rigs |

## Shareholdings

PRIDE — 9.3% of Pride (MV - US$686m)

SapuraCrest Petroleum — 23.6% of Sapura Crest (MV - US$373m)

Archer — 36.5% of Archer (MV - US$720m)