

Conference call - 4Q 2010 results

February 24, 2011

Seadrill

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Highlights - Fourth quarter 2010

- EBITDA of US$618m compared to US$560m in the preceding quarter
- Net income of US$268m down from US$358m and earnings per share US$0.61 as compared to US$0.85 in the third quarter
- Regular quarterly cash dividend up from US$0.65 to US$0.675 per share plus US$0.20 in extraordinary dividend per share
- Ordered two ultra-deepwater drillships and four jack-up newbuild rigs with total value US$2 billion
- US$55m disposal of 1984-built jack-up rig West Larissa – US$180m acquisition of 2008-built jack-up Petrojack IV
- Issued new US$650 million convertible bond (CB) and accelerated conversion of US$750 million “old” CB debt to equity

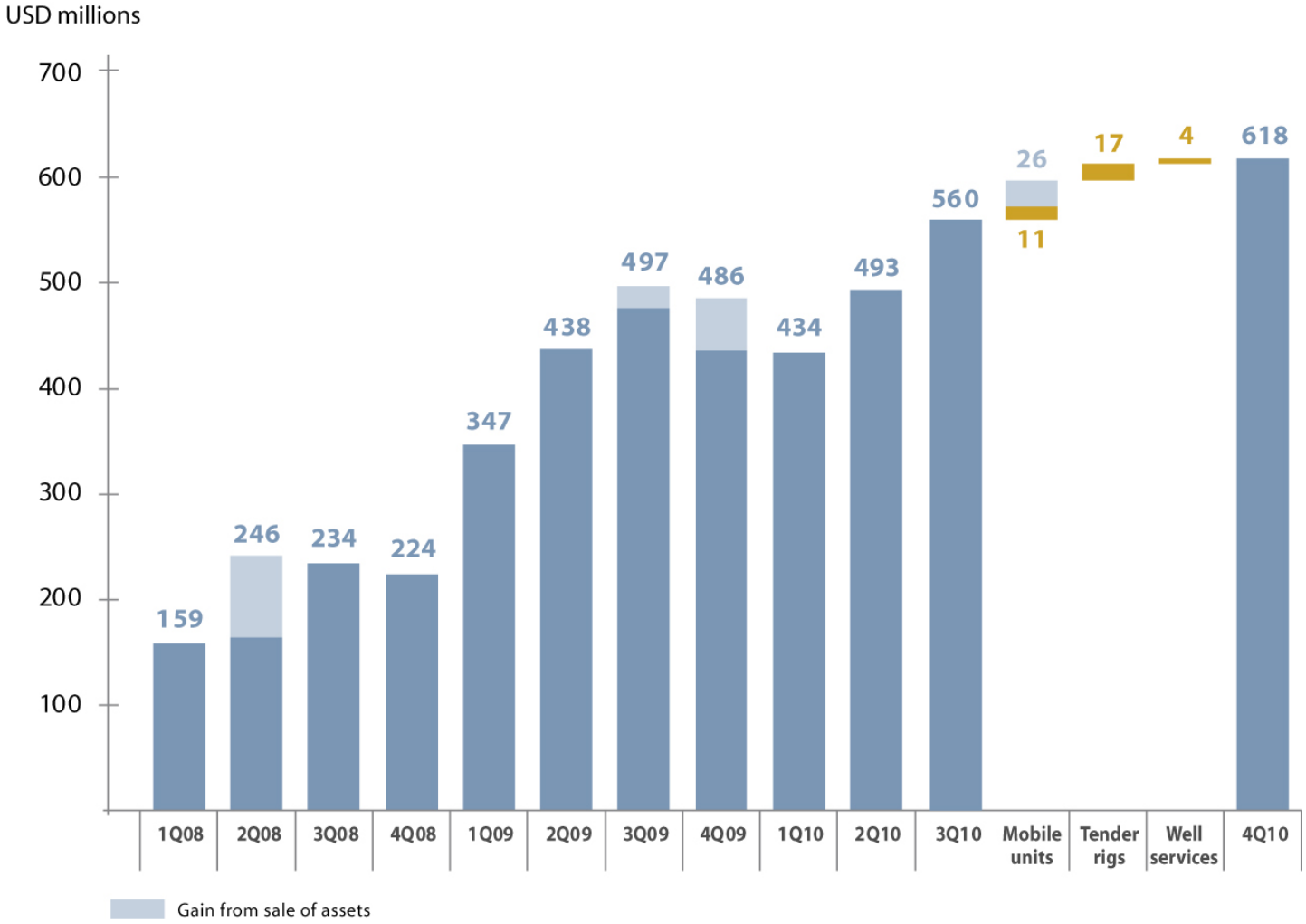
Subsequent events

- Acquired the two Seadragon owned ultra-deepwater semis under construction in Singapore for US$1.2 billion and simultaneously secured nearly 100% debt financing
- Established a new harsh environment focused drilling company, North Atlantic Drilling Limited, and raised US$425 million in a Private Placement
- Secured a three-year contract with Chevron in Thailand for the tender rig T12
- Seawell completed merger with Allis-Chalmers

Financial performance highlights

- Revenue growth continued, 4Q10 at US$1,169m (US$1,086m in 3Q10)
- EBITDA - US$618m (US$560m in 3Q10)
- Earnings per share - US$0.61 (US$0.85 in 3Q10)
- Operating profit - US$479m (US$431m in 3Q10)
- Financial items - minus US$176m (minus US$33m in 3Q10)
- Cash flow from operating activities US$374m (US$390m in 3Q10)
- Regular Dividend US$0.675 per share (US$0.65m in 3Q10)
  Extraordinary Dividend of US$0.20 per share

EBITDA contribution – growth continued



Operating Income - Total Seadrill

Unaudited accounts in USD millions	4Q10	3Q10	2Q10	1Q10
Operating revenues	1,105	1,022	886	810
Reimbursables	60	60	39	34
Other revenues	4	4	8	10
Total operating revenues	1,169	1,086	933	853
Gain on sale of assets	26	0	0	0
Vessel and rig operating expenses	465	425	364	351
Reimbursable expenses	54	56	37	31
Depreciation and amortisation	139	129	110	103
General and administrative expenses	58	45	39	36
Total operating expenses	716	655	550	522
Net operating income	**479**	**431**	**384**	**332**

Net Income - Total Seadrill

Unaudited accounts in USD millions	4Q10	3Q10	2Q10	1Q10
Net operating income	**479**	**431**	**384**	**332**
Financial items				
Interest income	6	9	9	19
Interest expense	-109	-98	-58	-48
Share in results from associated companies	10	15	5	18
Gain related to acquisition of Scorpion	0	0	167	0
Other financial items	-83	41	-123	-75
Total financial items	**-176**	**-33**	**0**	**-86**
Income before income taxes	**303**	**398**	**384**	**246**
Income taxes	35	41	54	29
Net income	**268**	**357**	**330**	**217**
Earnings per share (US dollar)	0.61	0.85	0.77	0.49

Operating Income - Mobile units

Unaudited accounts in USD millions	4Q10	3Q10	2Q10	1Q10
Operating revenues	797	742	621	582
Reimbursables	18	37	13	8
Other revenues	4	4	6	10
Total operating revenues	819	783	640	600
Gain on sale of assets	26	0	0	0
Vessel and rig operating expenses	283	248	200	195
Reimbursable expenses	14	34	12	8
Depreciation and amortisation	118	109	89	85
General and administrative expenses	43	33	29	27
Total operating expenses	458	424	330	315
Net operating income	**387**	**359**	**310**	**285**

Operating Income - Tender rigs

Unaudited accounts in USD millions	4Q10	3Q10	2Q10	1Q10
Operating revenues	136	125	123	89
Reimbursables	2	3	2	3
Total operating revenues	138	128	125	92
Vessel and rig operating expenses	42	48	47	39
Reimbursable expenses	1	2	2	2
Depreciation and amortisation	15	15	15	12
General and administrative expenses	5	5	6	4
Total operating expenses	63	70	70	57
Net operating income	**75**	**58**	**55**	**35**

Operating Income - Well services

Unaudited accounts in USD millions	4Q10	3Q10	2Q10	1Q10
Operating revenues	172	154	144	139
Reimbursables	41	21	24	22
Total operating revenues	213	175	168	161
Operating expenses	141	129	117	117
Reimbursable expenses	39	19	23	21
Depreciation and amortisation	6	5	5	6
General and administrative expenses	9	7	4	5
Total operating expenses	195	160	149	149
Net operating income	**18**	**15**	**19**	**12**

Seadrill Balance Sheet - Assets

Unaudited accounts in USD millions	**31.12.10**	**30.09.10**	**30.06.10**	**31.03.10**
Current assets				
Cash (incl restrictive)	911	724	893	449
Marketable securities	598	524	408	708
Accounts receivable	697	574	536	402
Other current assets	677	766	578	611
Total current assets	2,883	2,587	2,415	2,170
Non-current assets				
Investments in associated companies	205	223	212	317
Newbuildings	1,247	910	2,127	1,347
Drilling units	10,795	10,504	8,997	7,782
Goodwill	1,677	1,601	1,571	1,586
Other non-current assets	690	596	572	578
Total non-current assets	14,614	13,834	13,479	11,610
Total assets	**17,497**	**16,421**	**15,894**	**13,780**

Seadrill Balance Sheet - Liabilities and Shareholders Equity

Unaudited accounts in USD millions	**31.12.10**	**30.09.10**	**30.06.10**	**31.03.10**
Current liabilities				
Current portion of long-term debt	981	1,717	1,356	825
Other current liabilities	1,533	1,446	1,720	1,158
Total current liabilities	2,514	3,163	3,076	1,983
Non-current liabilities				
Long-term interest bearing debt	8,176	7,377	7,239	6,706
Long-term debt to related party	435	435	0	0
Other non-current liabilities	435	397	339	340
Total non-current liabilities	9,046	8,209	7,578	7,046
Shareholders' equity	5,937	5,049	5,240	4,751
Total shareholders' equity	5,937	5,049	5,240	4,751
Total liabilities and shareholders' equity	**17,497**	**16,421**	**15,894**	**13,780**

Worldwide operations

Europe - 5 units
- 3 Semis
- 1 Jack-up
- 1 Drillship

GoM - 1 unit
- 1 Semi

South America - 7 units
- 3 Semis
- 1 Drillship
- 3 Jack-ups

Africa - 5 units
- 2 Drillships
- 3 Semi-tenders

Middle East - 2 units
- 2 Jack-ups



Newbuilds - 11 units
- -3 Semis
- -2 Drillships
- - 1 HE jack-up
- - 4 BE jack-ups
- - 1 Semi-tender

Southeast Asia - 2 units
- 2 Semis

Southeast Asia - 23 units
- 3 Semi-tenders
- 10 Tender rigs
- 10 Jack-ups

Operations in all important oil and gas regions

US$1.2 bn acquisition of two ultra-deepwater semis

- Two units under construction at Jurong, Singapore
- Delivery scheduled for end-March and November this year
- First rig - expect to firm up a 5-year contract at going market rate
- Second rig - uncontracted
- Investment nearly 100% debt financed

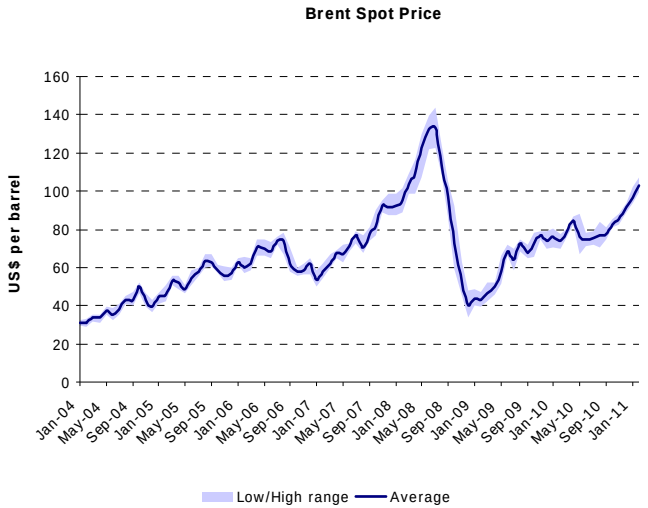
	West Pegasus / West Leo
Water depth	10,000ft
Riser	7,000ft/8,000ft
Top-drive / Hook load	1,000 st
Compensator main derrick	500 st
BOP	6 rams
Accommodation	192 people
Crane capacity	85mt

Accretive at dayrates above $385,000



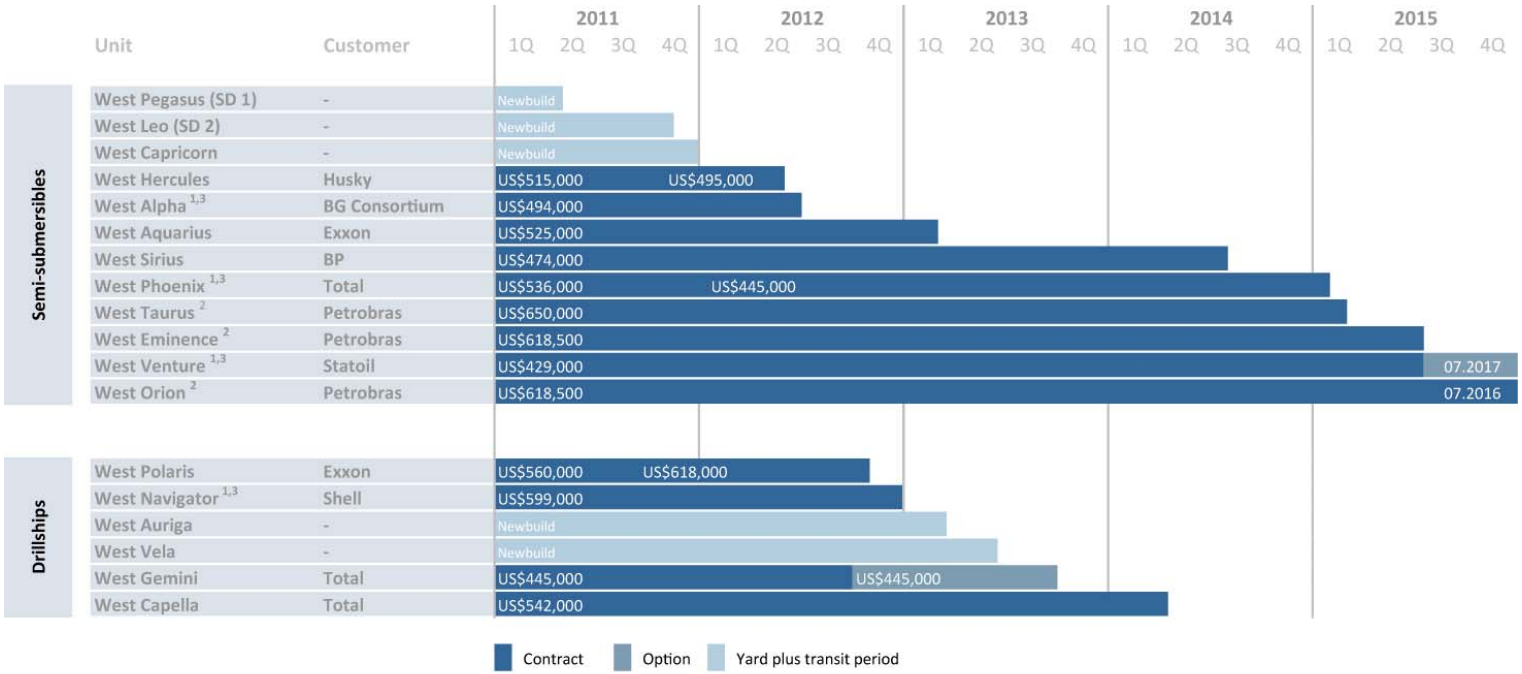
Market development

- Favorable oil price environment
- Improving world economy outlook
- Uncertainty created by political events in North Africa and Middle East
- Strong growth in E&P spending
- Drilling moratorium lifted in the US GoM, but slow progress on drilling permit approvals
- Trend towards more challenging and complex resources
- Industry focused on new equipment, bifurcation in both jack-up and floater market



Keeping our finger on the pulse of the market

US$7.9 billion contract backlog - Floaters



[1] Dayrate is partly in Norwegian kroner, (USD /NOK 5.80)

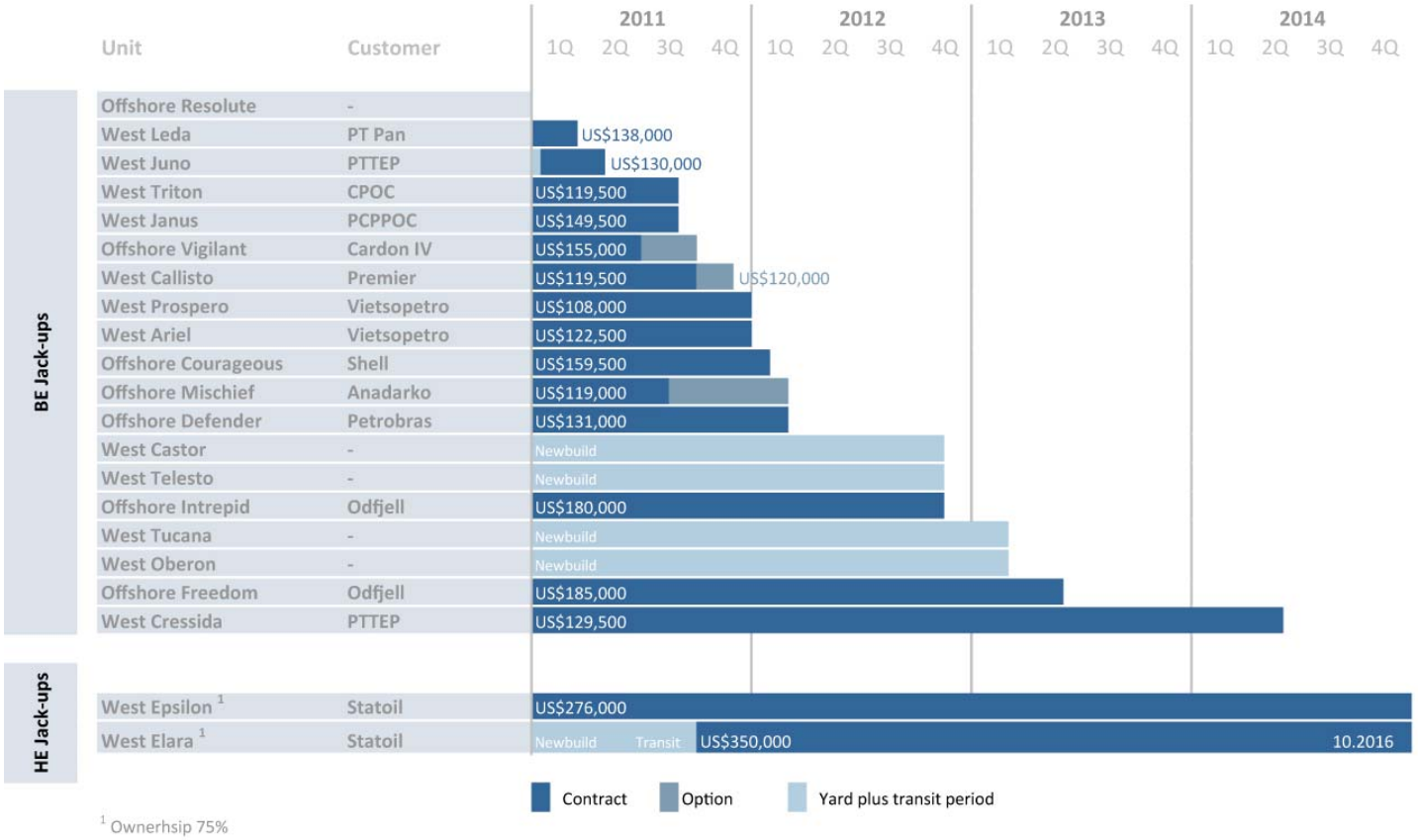
[2] Dayrate is partly in Brazilian Real and includes five percent performance incentive as well as estimated compensation for tax. Dayrate will in the accounts be booked partly net of service tax.

[3] Ownerhsip 75%

Flexibility in staggered contract portfolio



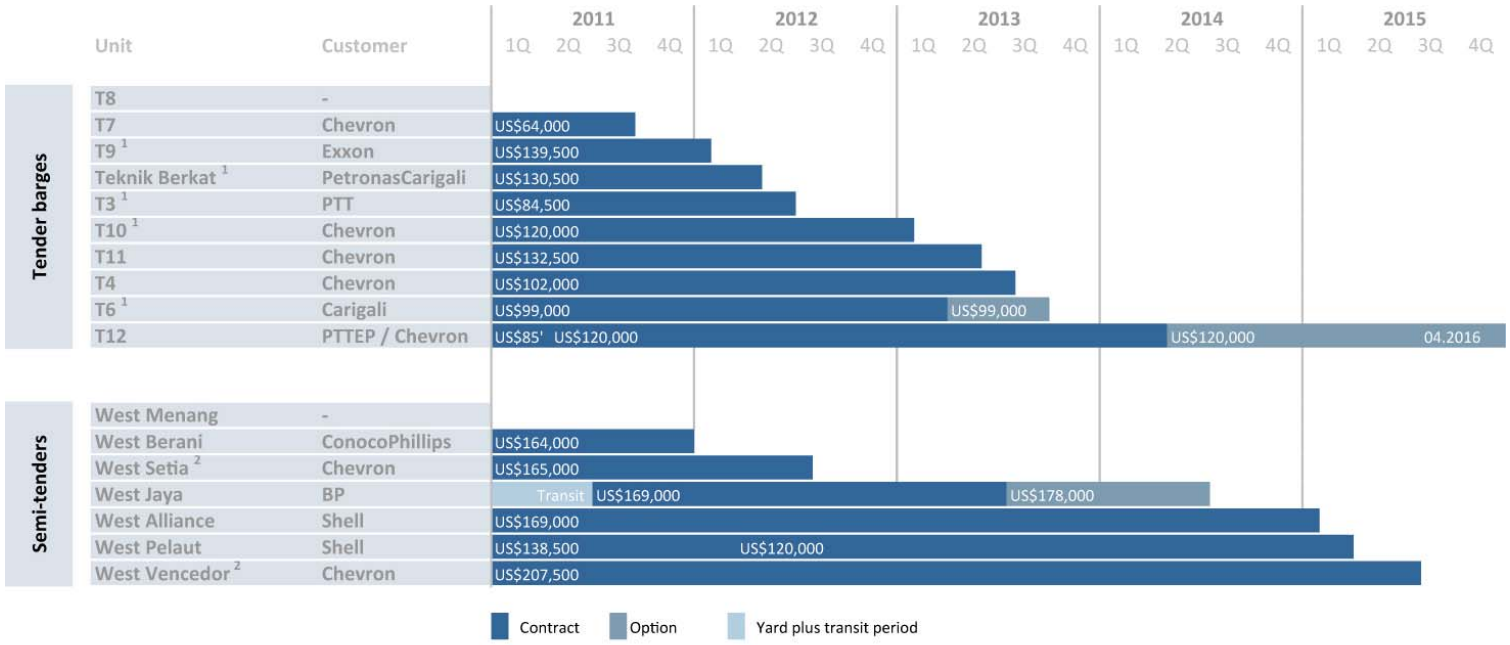
US$1.9 billion contract backlog - Jack-ups



Strong interest in high spec rigs



US$1.5 billion contract backlog - Tender rigs



[1] Ownership 49%

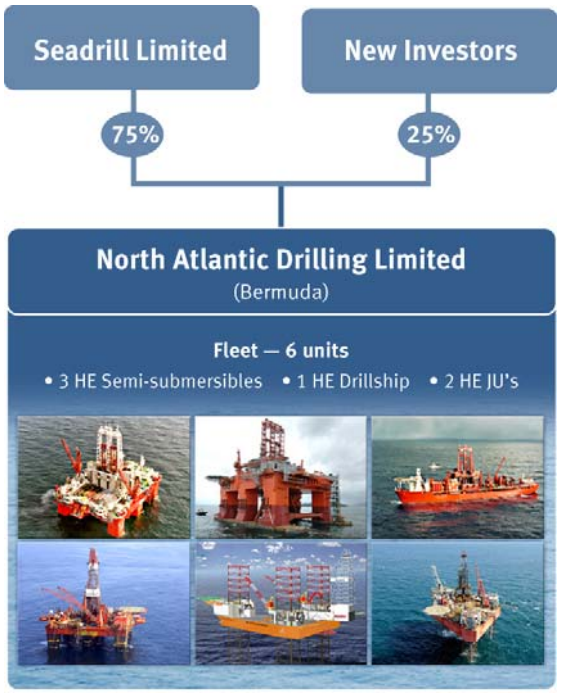
[2] Dayrate is partly in Euros (EUR/USD 1.35)

New long-term contracts adds visibility



Seadrill establishes a new drilling company, North Atlantic Drilling Limited (NADL)

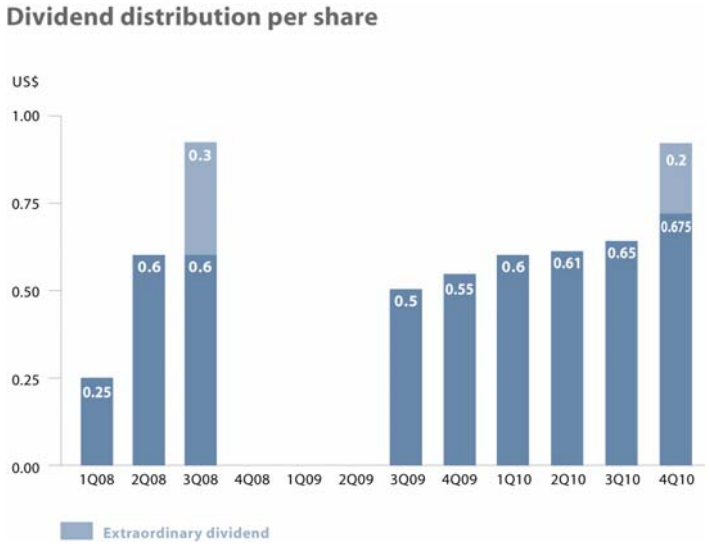
- NADL will be 100% focused on harsh environment operations in the North Atlantic Basin
- Agreement with SDRL to acquire:
  - Six harsh environment drilling rigs
  - Final negotiations of yard contract for a harsh environment jack-up ("West Elara II")
  - All relevant contracts, spares, stores and offshore personnel related to the rigs
- Acquisition cost: US$4,100 million
  - Targeted Bank debt: US$2,000 million
  - Bond: US$500 million
  - Equity: US$1,700 million (including US$100 million cash retained in NADL)
- SDRL retains 75% ownership interest
- NADL is N-OTC listed and will have more than 1,200 shareholders



Equity offering 20x over-subscribed

Dividend distribution and policy

- Regular dividend resolved at US$0.675 per share + US$0.2 per share in extra ordinary dividend
- Increase reflects increased free cash flow and improved earnings visibility
- Future dividend depends on:
  - Debt leverage
  - Contract coverage
  - Capital expenditure programs and other investments
  - Business outlook
- Distribution of regular cash dividend is a key objective



US$	Regular cash dividend per share	Extraordinary cash dividend per share	EX dividend date	Payable date
4Q 2010	0.67	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

Targets further increase in regular dividend

Seadrill is uniquely positioned

- Global fleet of brand new rigs
- First mover on newbuild orders
- NADL subsidiary tailor-made for harsh environment developments
- Strong contract backlog and earnings visibility
- Unique bank support caters for active use of leverage
- Track record of accretive investments and M&As

Using all tools to create profitability & dividend

Asset portfolio

Core fleet – 45 units built after 2000 | 11 built before 2000



16 Ultra-Deepwater Units + 1 Deepwater Unit | 1 Mid-water semi



19 High Specification Jack-ups | 2 Jack-ups



9 Tender Rigs | 8 Tender Rigs

Shareholdings

PRIDE — 9.4% of Pride (MV - US$659m)

SapuraCrest Petroleum — 23.6% of Sapura Crest (MV - US$321m)

SEAWELL — 52.3% of Seawell (MV - US$713m)

SEAHAWK DRILLING — 9.3% of Seahawk (MV - US$4.5m)