

Q1 2020 Results

June 2, 2020

Seadrill

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Agenda

1. Q1 2020 Highlights
2. Market Assessment
3. Operational Updates
4. Commercial
5. Financials
6. Q&A



Q1 2020 Highlights

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FINANCIALS

- Technical utilization of 95% [(1)]
- Adjusted EBITDA of $55m and closing cash $1.2bn
- Impairments of $1.2bn taken against rig assets, leading to a $1.3bn operating loss in the quarter

OPERATIONS

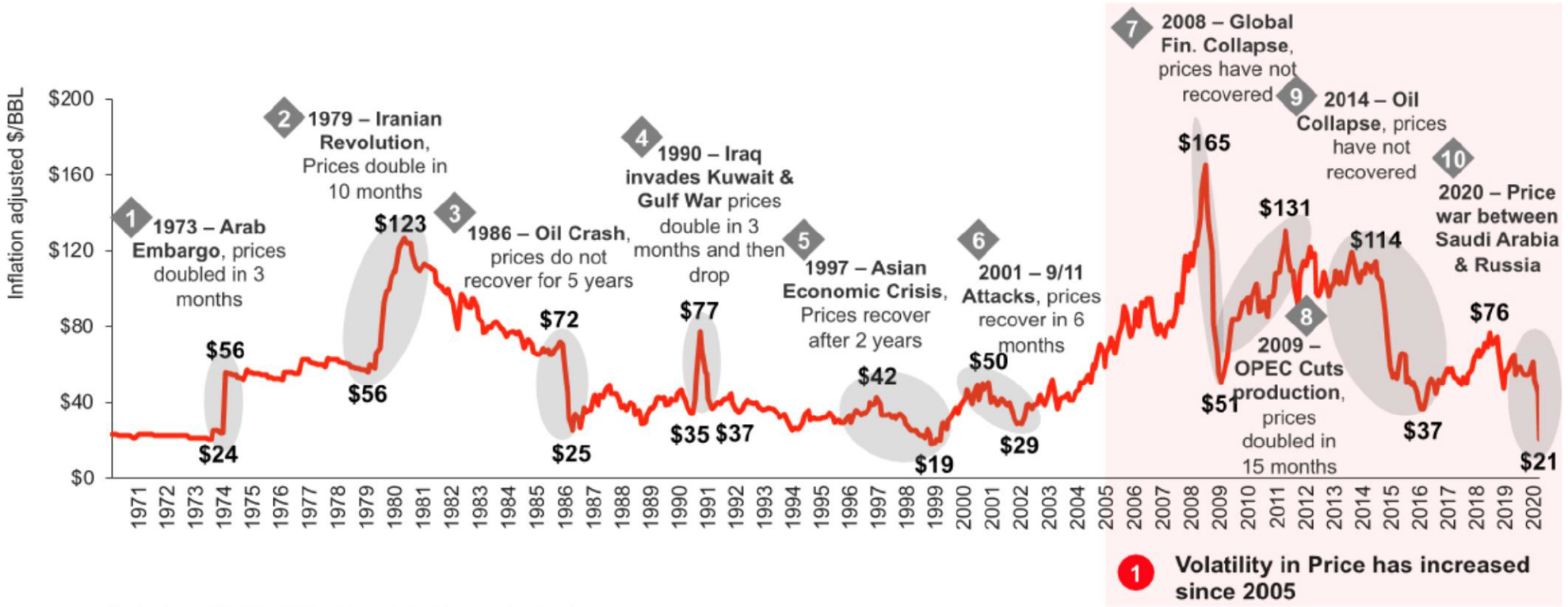
- Significant logistical challenges emerged as a result of the COVID-19 pandemic
- The work of our offshore personnel has ensured Seadrill maintains safe operations for our customers
- We manage 28 locations with over 4,000 employees from 57 countries

COMMERCIAL

- Added $77m in backlog in the quarter and $41m post-quarter end
- Ended the quarter with $2.5bn backlog
- The severe oil price decline in early 2020 has materially increased uncertainty in our business

(1) Technical utilization is calculated as the total hours available for work, excluding planned maintenance, divided by the total number of hours in the period.

Market Assessment



- Shocks to supply and demand have led to a significant reduction in the oil price - E&P operators have responded by reducing their CAPEX budgets
- Due to a significant reduction in global oil demand, we have reassessed our view as to the future operating capability of certain assets
- We are driving changes to address the changed macro environment and to maintain our competitiveness

Source: EIA, External Analysis, Seadrill Analysis;

Operational Updates

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PEOPLE

- Looking for opportunities to rotate our offshore crews working extended working patterns in locations with border restrictions
- Continuing to provide undisrupted support to our offshore operations, as our onshore teams have all adopted new ways of working

OPERATIONS

- Maintaining our cost competitive advantage through the implementation of a company-wide cash preservation and efficiency plan
- Collaborating with the industry and our third-party partners to minimise impact on our operations and supply chain

COMMERCIAL

- Constructive engagement with existing customers as we benefit from strong customer relationships and leading market capabilities
- Continuing focusing on delivering safe and efficient operations for our customers

We continue to assess the impacts of this global pandemic daily.
The health and wellbeing of the whole Seadrill community is our number one priority.

Commercial

$77m of backlog secured in Q1 2020



Harsh Environment — +$51m



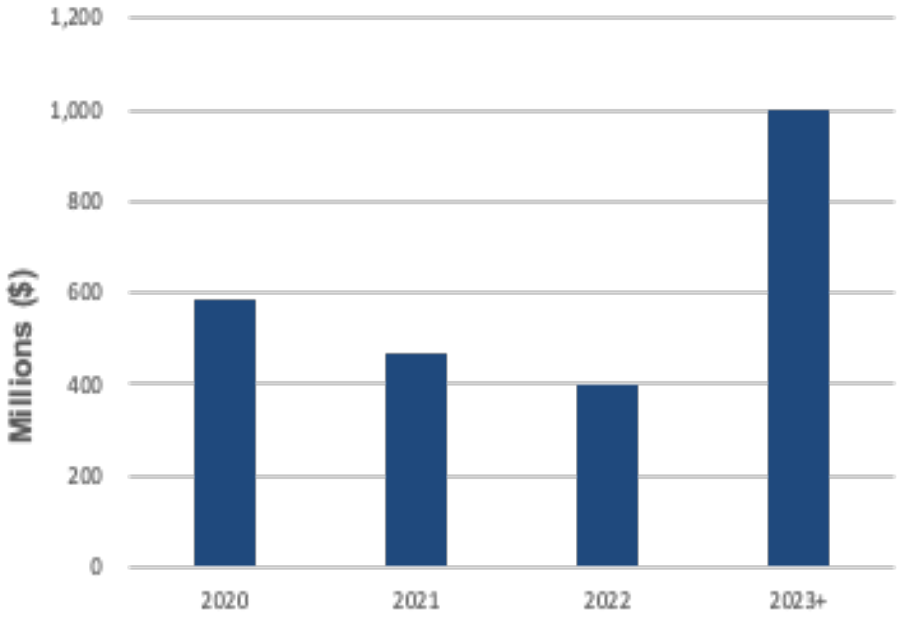
Benign UDW — +$17m



Benign Jack-ups — +$9m

Post Q1: West Saturn awarded two well contract in Brazil — +$41m

Total backlog



- $2.5bn backlog delivering $0.6bn in the remainder of 2020

(1)We define contract backlog as the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization and contract preparation or other incentive provisions. For contracts which include a market indexed rate mechanism we utilize the current applicable dayrate multiplied by the number of days remaining in the firm contract period.

Results from Associated Companies

Joint Ventures and drilling investments - $70m loss (4Q19: $17m loss)

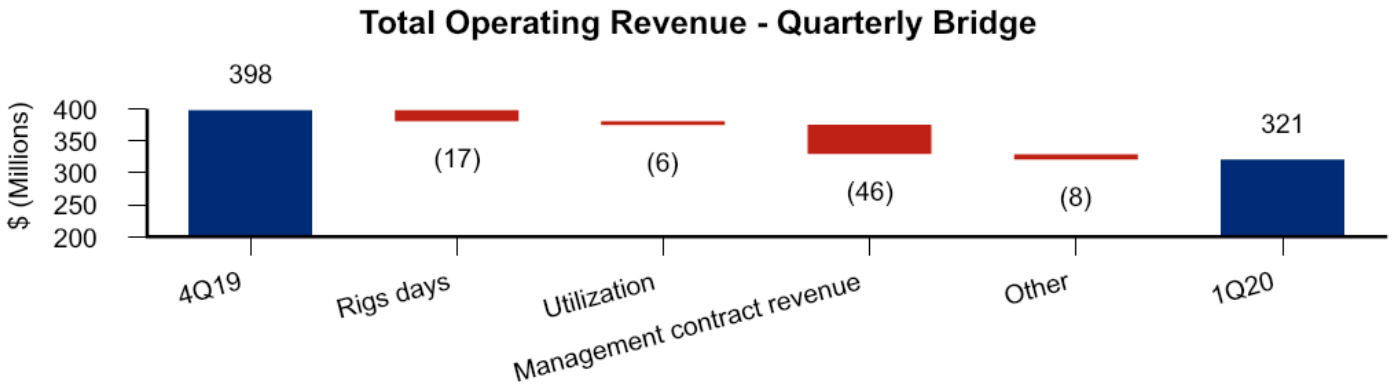
Company	Ownership	Assets	Highlights
Seadrill Partners LLC	~65%	8 floaters 3 tenders	▪ 99% utilization ▪ We recognised impairments of $47m against our direct investments in Seadrill Partners
Seamex	50 %	5 jack-ups	▪ 98% utilization ▪ Delivered $35 million EBITDA in the quarter ▪ Total backlog as at 31 March $802 million ▪ Secured a three year extension to each of the five jack-up drilling contracts with PEMEX in Mexico and adjustment to dayrate - Net backlog increase of $342 million
Sonadrill	50 %	4 floaters	▪ Libongos operations suspended until Q1 2021 with the remaining backlog on the contract also deferred
Gulfdrill	50 %	5 jack-ups	▪ 2 jack-ups currently in Qatar on bareboat charter

Non-drilling investments

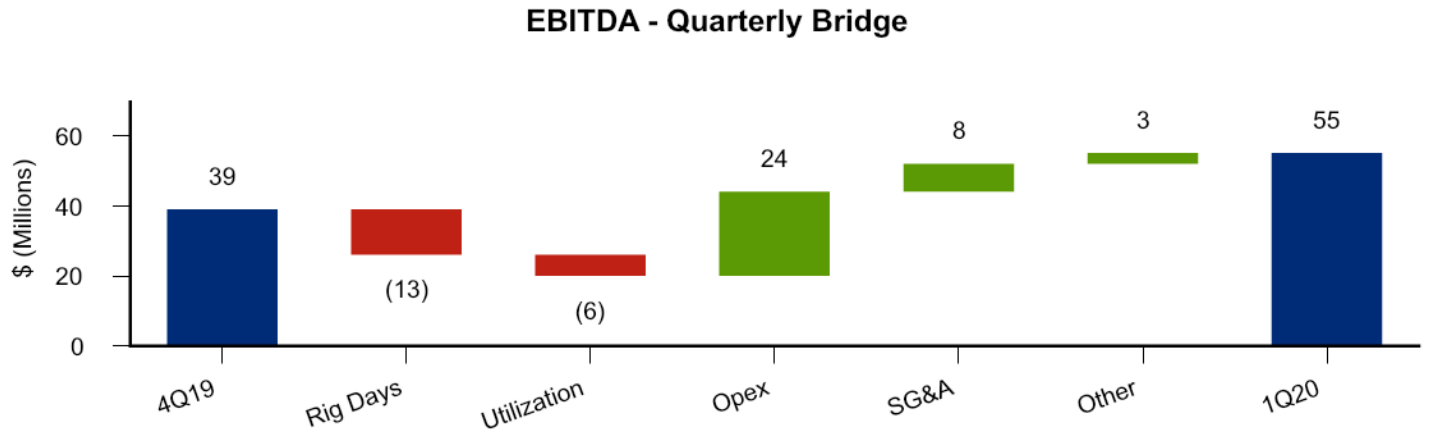
Archer The well company	~16%	Well services & land/platform drilling	▪ $22 million EBITDA delivered in the quarter ▪ Impairment of convertible bond from $35m to $6 million
Seabras	50 %	6 PLSVs	▪ 99% utilization delivering $53 million EBITDA in the quarter

Revenue and EBITDA Bridge

Revenue:



Adjusted EBITDA:



Revenue: $321m (4Q19:$398m)

- 19% decrease was a result of a reduction in reimbursable revenue for contract preparation and mobilization recharges under our management contracts with Northern Ocean and Sonadrill
- A reduction in rig operating days and lower operational utilization also contributed to this decrease

EBITDA: $55m (4Q19:$39m)

- Opex reduction due to (i) lower R&M following completion of projects and (ii) lower personnel costs following rig contract completion
- Reduction in consulting, commission and other onshore cost saving initiatives
- Offset by rig contract completions which led to fewer rigs operating
- Resulting EBITDA margin was 17.1% (4Q19: 10%)

Abbreviated Income Statement

$millions		1Q20	4Q19
Adjusted EBITDA		55	39
Depreciation and amortization	1	(100)	(132)
Expected credit loss provision		(9)	—
Impairment of long-lived assets	2	(1,230)	—
Operating loss		**(1,284)**	**(93)**
Share in results from associated companies	3	(70)	(17)
Loss on impairment of investments	3	(47)	—
Impairment of convertible bond from related party	4	(29)	(11)
Other financial items		(138)	(108)
Loss before income taxes		**(1,568)**	**(229)**
Income tax benefit		3	30
Net loss		**(1,565)**	**(199)**

Key Movements

1. Completion of favourable drilling contracts recognized on fresh start
2. Impairment losses recognized on our drilling unit fleet
3. Share of loss and impairment of our investment in Seadrill Partners
4. Impairment on Archer convertible bond following renegotiated terms

Asset Management

Impairments

- Material changes in the macro environment have led to reassessment of whether the continued cold stacking of assets and the associated reactivation costs produces the investment return stakeholders deserve
- Additionally, there is now an expectation that rigs will be inoperable for longer periods, thus increasing the probability that assets will be scrapped
- As a consequence, we have taken $1.2bn in impairments as the risk of scrapping is increased

Retirements

- Anticipated that up to 10 assets may not return to the market based on current market assessments
- In the coming months we will be looking at a prioritisation of scrapping opportunities

Abbreviated Cash Flow

$millions		1Q20	4Q19
Net Loss		**(1,565)**	**(199)**
Adjustments to reconcile net loss to net cash provided by operating activities		1,532	145
Payments for long-term maintenance		(32)	(41)
Changes in operating assets and liabilities	1	(51)	39
Total operating cash flows		**(116)**	**(56)**
Total investing activities	2	(5)	(23)
Total financing activities	3	(20)	(12)
Effect of exchange rate changes on cash	4	(18)	3
Net movement in total cash		**(159)**	**(88)**

Key Movements

1. Additional amounts paid to be reimbursed under our management contracts
2. Purchase of call option on non-controlling interest held by Heirs Holding
3. External debt prepayment made by the Ship Finance VIE
4. FX impact against the Brazilian Reais denominated restricted cash deposit held for local tax case

Abbreviated Balance Sheet

$millions		1Q20	4Q19
Cash and restricted cash	1	1,198	1,357
Other current assets	2 3	495	523
Other non-current assets	4 5	5,804	7,399
Total assets		**7,497**	**9,279**
Current liabilities	6	778	770
Non-current liabilities	5 6	6,603	6,659
Equity and redeemable non-controlling interest	7	116	1,850
Total liabilities, redeemable non-controlling interest and equity		**7,497**	**9,279**

Key Movements

1. Release of restricted cash following agreed reduction to bank guarantee facility
2. Additional amounts to be reimbursed from our management contract agreements
3. Credit loss allowances on related party receivables on adoption of new accounting standard
4. Impairments recognized on drilling unit fleet and investments in Seadrill Partners
5. Novation of right-of-use asset and lease liability to Gulfdrill JV
6. External debt prepayment made by the Ship Finance VIE
7. Loss recognized for the quarter

Capital Structure

NYSE listing:

- Seadrill Limited will move to delist from NYSE in the coming months and focus upon the OSE going forward. As a consequence and in line with reducing costs, Seadrill will move towards half yearly reporting from Q2 2020 going forward

Comprehensive Restructuring:

- Since late 2019 we have engaged in restructuring discussions with our banks; we have decided not to progress with an interim solution
- We have appointed financial and legal advisors to prepare for and execute a comprehensive restructuring later in 2020
- Our expectation is that a comprehensive restructuring may lead to substantial conversion of indebtedness to equity
- $1.2bn of cash on hand, which we believe provides sufficient liquidity during the financial restructuring process

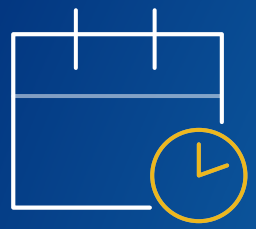
Cash preservation and efficiency plan:

- We are implementing a cash preservation and efficiency plan to reduce costs. This will preserve liquidity and adjust our cost base in line with current market conditions and activity levels

Q&A

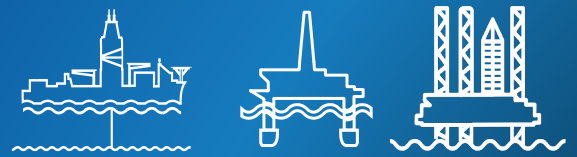
Seadrill

15+ years of delivering safe and efficient operations



Founded in 2005

Young and modern fleet with an average age of 9 years[1]



Innovating and embedding technology in day-to-day operations

Vision IQ



PLATO



MPD

$2.5bn backlog with a premium customer base

PEMEX, TOTAL, ConocoPhillips, equinor, PETROBRAS, Saudi Aramco

More than 4000 employees globally….



… representing 57 countries

Committed to building Sustainable operations



Ranked above our peers in Carbon Disclosure Programme (ranking B in 2020)

[1]Average fleet age excludes the following rigs that have been long-term cold-stacked: West Alpha, West Navigator, West Venture, West Epsilon

Appendix - Non-GAAP Financial Measures

***Adjusted EBITDA** represents operating income before depreciation, amortization and similar non-cash charges. Additionally, in any given period we may have significant, unusual or non-recurring items which we may exclude from Adjusted EBITDA for that period. When applicable, these items are fully disclosed and incorporated into the reconciliation provided below. Adjusted EBITDA is a non-GAAP financial measure used by investors to measure our ongoing financial and operating strength. We believe that Adjusted EBITDA assists investors by excluding the potentially disparate effects between periods of interest, other financial items, taxes and depreciation and amortization, which are affected by various and possibly changing financing methods, capital structure and historical cost basis and which may significantly affect operating income between periods. Adjusted EBITDA should not be considered as an alternative to operating income or any other indicator of Seadrill's performance calculated in accordance with the US GAAP.

Unaudited accounts in USD millions	**1Q20**	**4Q19**
Net operating loss	(1,284)	(93)
Depreciation	100	108
Amortization of intangibles	0	24
Expected credit loss provision	9	0
Impairment of long-lived assets	1,230	0
Adjusted EBITDA	**55**	**39**

Adjustments to reconcile net loss to net cash used in operating activities includes depreciation, amortization of favorable and unfavorable contracts, share of results of joint ventures and associates, impairment loss on associated companies, unrealized gains and losses on derivatives, unrealized gains and losses on marketable securities, deferred tax expense and other non-cash items shown under the sub-heading "adjustments to reconcile net loss to net cash provided by operating activities" in the Consolidated Statements of Cash Flows presented in the Consolidated Financial Statements included in this report, considered as an alternative to operating income or any other indicator of Seadrill's performance calculated in accordance with the US GAAP.