SEADRILL LTD
Form 6-K
December 01, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of December 2014

Commission File Number 001-34667

SEADRILL LIMITED

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [X]   Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ].

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ].

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 99.1 is a copy of the earnings release, dated November 26, 2014, of Seadrill Limited (the "Company") announcing the Company's results for the third quarter ended September 30, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	SEADRILL LIMITED (Registrant)	
Dated: December 1, 2014		
		/s/ Georgina Sousa
	By:	Georgina Sousa
		Secretary

EXHIBIT 99.1

Seadrill Limited (SDRL) - Third quarter 2014 results

Highlights

- The Seadrill Group* on a consolidated basis reports EBITDA of US$842 million, a year over year increase of 27%
- Seadrill Limited reports third quarter 2014 EBITDA* of US$635 million
- Seadrill Limited reports third quarter 2014 net income of US$190 million and earnings per share of US$0.31
- The Seadrill Group on a consolidated basis maintains orderbacklog of approximately US$20 billion
- Seadrill Limited is suspending dividend distributions and focusing on debt reduction and value creating opportunities due to significant deterioration in the broader markets
- Seadrill receives a commitment for a US$1.35 billion credit facility to refinance the credit facilities secured by the West Pegasus, West Gemini, and West Orion.
- Seadrill sells an additional 28% limited partner interest in Seadrill Operating LP to Seadrill Partners for approximately US$373 million
- Seadrill secures a contract with ExxonMobil for employment of the West Saturn. The contract is for a firm period of two years plus a one year option and has a total revenue potential for the primary contract term of approximately US$497 million, inclusive of mobilization.
- Seadrill completes US$1.5 billion ECA facility to finance the West Saturn, West Neptune, and West Jupiter.

Subsequent events

- Seadrill receives Board authorization to buyback up to 10% of outstanding shares.
- Seadrill receives confirmation from Petrobras of approval for contract awards on the Libra Field for the West Tellus and West Carina. The contracts are for a firm period of three years each and have a total revenue potential including mobilization of US$1.1 billion.
- Seadrill receives confirmation from Petrobras of approval for contract extensions for the West Eminence and West Taurus. The contracts are for a firm period of three years each and have a total revenue potential of US$1.1 billion.
- Seadrill secures a 145 day contract extension with Total for the semi-submersible unit West Eclipse. The total revenue potential for the extension is approximately US$65 million.
- Seadrill secures a new contract for the jack-up unit West Vigilant. The total revenue potential for the new contract is approximately US$102 million.
- Seadrill secures a new contract for the jack-up unit West Leda. The total revenue potential for the new contract is approximately US$16 million.
- Seadrill secures a new contract for the jack-up unit West Telesto. This is in direct continuation from the previous contract in Australia and is for one well.
- Seadrill sells the ultra-deepwater drillship West Vela to Seadrill Partners for US$900 million on a 100% basis.
- Seadrill received commitments for a US$750 million credit facility for SeaMex to refinance the West Oberon, West Intrepid, West Defender, West Courageous, and West Titania.
- Seadrill receives commitments for a US$950 million credit facility for the financing of the West Carina and West Eclipse.

* EBITDA is defined as earnings before interest, depreciation and amortization equal to operating profit plus depreciation and amortization.
* Seadrill Group is defined as all companies currently consolidated into Seadrill Limited plus Seadrill Partners

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Financial information

Third quarter 2014 results
Revenues for the third quarter of 2014 were US$1,293 million compared to US$1,222 million in the second quarter of 2014.

Operating profit for the quarter was US$461 million compared to US$476 million in the preceding quarter. The decrease is primarily due to a full quarter of idle time for the West Tellus and downtime on the West Eminence and Sevan Louisiana.

Net financial and other items for the quarter showed a loss of US$232 million compared to a gain of US$71 million in the previous quarter. The loss is primarily related to interest expense, losses on derivative financial instruments and net loss on extinguishment of debt.

Income taxes for the third quarter were US$39 million, an increase of US$145 million from the previous quarter. The increase is due to the release of a reserve following the resolution of uncertain tax positions during the second quarter.

Net income for the quarter was US$190 million representing basic and diluted earnings per share of $0.31.

Balance sheet
As of September 30, 2014, total assets were US$27,387 million, an increase of US$783 million compared to the previous quarter.

Total current assets increased to US$3,422 million from US$3,185 million over the course of the quarter, primarily driven by an increase in cash and amounts due from related party, offset by a decrease in marketable securities and accounts receivable.

Total non-current assets increased to US$23,965 million from US$23,419 million primarily due to an increase in newbuildings driven by the final yard instalments for the West Jupiter, West Neptune, and West Saturn, offset by a decrease in investment in associated companies following the sale of operating company units to Seadrill Partners.

Total current liabilities decreased to US$3,609 million from US$4,103 million largely due to normal quarterly debt instalments and debt refinancing, offset by the drawdown in credit facilities for the newbuild program.

Long-term external interest bearing debt increased to US$11,422 million from US$10,025 million over the course of the quarter and total net interest bearing debt increased to US$12,640 million from US$12,405 million. The increase is primarily due to new credit facilities for newbuild deliveries and for refinancing, offset by the conversion of the US$650 million convertible bond.

Total equity increased to US$10,944 million from US$10,747 million as of September 30, 2014, primarily driven by net income for the quarter and the issuance of new shares as a result of the convertible bond conversion, offset by dividends paid.

Cash flow
As of September 30, 2014, cash and cash equivalents were US$638 million, an increase of US$95 million compared to the previous quarter.

Net cash provided by operating activities for the nine month period ended September 30, 2014 was US$1,295 million and net cash provided by investing activities for the same period was US$229 million. Net cash used in financing activities was US$1,596 million.

Outstanding shares

As of September 30, 2014 common shares outstanding in Seadrill Limited totaled 492,759,938 including our holding of 318,740 treasury shares. Additionally, we had stock options for 2.3 million shares outstanding under various share incentive programs for management, of which approximately 694,000 are vested and exercisable. The Company currently holds a TRS agreement with exposure to 4 million shares in Seadrill which matures on December 3, 2014, with a strike price of NOK 233.3833 per share.

Operations

Offshore drilling units

During the third quarter, Seadrill Limited had 17 floaters and 23 jack-up rigs in operation in Northern Europe, US Gulf of Mexico, Mexico, South America, Canada, West Africa, Middle East and Southeast Asia. Additionally Seadrill manages nine Seadrill Partners rigs comprised of six floaters and three tender rigs. Seadrill also manages two tender rigs owned by SapuraKencana.

Seadrill Limited floaters (drillships and semi-submersible rigs) achieved an economic utilization rate of 89% in the third quarter compared to 96% in the second quarter. The economic utilization for the Seadrill Group floaters on a consolidated basis was 89%. The Board is not satisfied with this utilization level.

Average economic utilization was 96% for our jack-up rigs in the third quarter compared to 93% in the preceding quarter.

The Seadrill group has been through a tremendous growth period over the past years. A new and uniform fleet plus economies of scale are material factors to controlling cost. To ensure a continuous focus on cost, in January we introduced a number of cost saving initiatives. Now, 11 months later we see the benefit of these initiatives. We have managed to reduce costs in operating expense, personnel cost, G&A and capex, resulting in a total saving of US$220 million. The cost reduction focus will continue in 2015 with additional initiatives and we believe another US$200 million of savings can be identified.

Newbuilding program

Seadrill currently has 16 rigs under construction comprised of 5 Drillships, 3 Semi-submersibles, and 8 Jack-ups. During the third quarter we took delivery of the West Saturn, West Neptune and West Jupiter.

Total remaining yard installments for our newbuilds are approximately US$4.7 billion and US$1.2 billion has been paid to the yards in pre-delivery installments. With 16 newbuilds still to be delivered Seadrill is well positioned for future growth. However, Seadrill will refrain for the time being from ordering additional rigs until a clearer direction can be seen in the offshore rig market.

Sevan Drilling and Cosco Shipyard have agreed to amend the termination rights of the construction contract and defer the delivery date for the Sevan Developer. Delivery is deferred for 12 months with mutually agreed options, exercisable at 6 month intervals, to extend the delivery date for up to a total of 36 months from October 15, 2014. The agreement will terminate at the end of each deferral period, unless the option to extend is mutually agreed by both parties. If termination should occur, Sevan is entitled to a refund of its installments less any agreed costs. Cosco will complete construction and maintain the rig at the shipyard in Qidong. Sevan will continue to market the rig as part of its fleet and delivery will take place only after a drilling contract is in place that is sufficient for secured financing to be obtained. Payment of the construction liability and other related costs will be deferred until delivery.

As mentioned in our second quarter report, due to the high volume of deliveries taking place during 2014 and bottlenecks with equipment suppliers and subcontractors, it is likely several shipyards will not be able to meet contractual delivery dates. It appears likely that some of the ultra-deepwater drillships scheduled for delivery in the second half of 2015 will be delayed.

New Contracts and Contract Extensions

During the third quarter of 2014, we have entered into the following contracts and contract extensions:

In May 2014, North Atlantic Drilling ("NADL") announced that it had entered into an Investment and Co-operation Agreement (the "Agreement") with Rosneft. Pursuant to this Agreement the parties entered into five binding offshore contracts in July and in August NADL agreed to acquire approximately 150 land rigs from Rosneft with five year contracts to Rosneft awarded. The total revenue potential for the five offshore contracts exclusive of mobilization is approximately US$4.1billion. The executed contracts include five year contracts for the West Navigator, the West Rigel, the West Alpha, two harsh environment jack-up rigs, and a 2.5 year contract for a Gusto class Jack-up rig. These contracts commence in Russian and international waters from 2015 through 2017. The onshore and offshore contracts can be cancelled by either party before the end of May 2015.

In August, Seadrill, in cooperation with indigenous partner Field Offshore Nigeria Ltd has secured a contract with Esso Exploration and Production Nigeria Limited, an ExxonMobil subsidiary, for employment of the newbuild ultra-deepwater drillship West Saturn, in support of the ERHA North Phase 2 project in Nigeria. The contract is for a firm period of two years plus a one year option and has a total revenue potential for Seadrill and Field Offshore Nigeria Ltd for the primary contract term of approximately US$497 million, inclusive of mobilization.

Subsequent to the conclusion of the third quarter we entered into the following contracts:

Seadrill receives confirmation from Petrobras of approval for contract awards on the Libra Field for the West Tellus and West Carina. The contracts are for a firm period of three years each and have a total revenue potential including mobilization of US$1.1 billion.

Seadrill receives confirmation from Petrobras of approval for contract extensions for the West Eminence and West Taurus. The contracts are for a firm period of three years each and have a total revenue potential of US$1.1 billion.

Seadrill secured a 145 day contract extension with Total for the semi-submersible unit West Eclipse. The total revenue potential for the extension is approximately US$65 million.

Seadrill secured a new contract for the jack-up unit West Vigilant. The total revenue potential for the new contract is approximately US$102 million.

Seadrill secures a new contract for the jack-up unit West Leda. The total revenue potential for the new contract is approximately US$16 million.

Seadrill secures a new contract for the jack-up unit West Telesto. This is in direct continuation from the previous contract in Australia and is for one well.

For more detailed information regarding daily rates and contract durations including escalation, currency adjustment or other minor changes to daily rates and duration profiles, see our fleet status report or news releases on our website www.seadrill.com

Revenue Backlog

Seadrill Limited's order backlog as of November 25, 2014 is US$18.3 billion and US$24.3 billion for the Seadrill Group on a consolidated basis. These figures include US$4.1 billion of backlog related to Rosneft and excludes US$12.5 billion of backlog related to the pipelay vessels and Sete newbuild drillships.

Orderbacklog for Seadrill Limited's floater fleet is US$13.1 billion. The average contract duration is 37 months.

Orderbacklog for Seadrill Limited's jack-up fleet is US$5.2 billion. Most capacity has been locked up for the jack-up fleet. Assuming final conclusion of the Pemex contract for the West Titania, the average contract length for contracted jack-up units will be 28 months.

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Market development

Since our last quarterly report in August, the Brent spot price has dropped by 23%, or US$24 per barrel. It remains to be seen how long the current market conditions will persist and during this period short to medium term visibility will be reduced. However, the Company believes the long term fundamentals of our industry remain intact, driven by the fact that the days of easy, low cost oil are over and reserves required to meet long term demand growth are still to be found in the deep and ultra-deepwater regions. As mentioned by a number of major oil companies, these reserves are well positioned on the cost of supply curve and can be expected to be produced even at today's oil prices.

Ultra-Deepwater Floaters

The near term outlook for ultra-deepwater drilling units has become increasingly challenging in light of the macro developments over the course of the last quarter. While there are not yet clear indications that the oil price declines will alter oil companies' spending plans in 2015, some rig owners are already acting as if it will. This is especially true of those rig contractors that are concerned about the viability of their older units and the costs associated with keeping those assets in service. With approximately 25% of the ultra-deepwater fleet available in 2015, certain rig owners seem willing to work at or close to cash flow breakeven rates and we expect this type of activity to continue in the short term. Seadrill remains very well positioned in this environment with relatively few rigs exposed to falling dayrates in the near term. Following the announcement of four contracts in Brazil and an extension on the West Eclipse, Seadrill has only 9% of the floater fleet available during 2015.

If oil companies adjust their budgets based on the current macro environment, tendering activity may remain at the current low levels or even decline further. On the positive side, major oil companies are still proceeding with planned development projects and independent oil companies are coming to the market to take advantage of current dayrate levels. It appears that short-term exploration plans are under the greatest pressure and may be pushed back if the lease expiration rights are not breached. Typically, at this point in the year, we would have expected to understand what near term demand looks like and the fact that we do not may be an indication that projects have encountered further budgeting delays.

We find it encouraging to see the industry rationalizing older fleets with increased stacking and scrapping activity. We expect this activity to accelerate as 2015 progresses. Roughly 45% of the current floater fleet is 15 years or older and 30% of the fleet is 30 years or older. Although these older units are not directly competitive with Seadrill's fleet, scrapping will allow our competitors with less capable units to be less concerned about the cash flow drain older units create, thus will be in a more stable condition overall and less willing to work for breakeven dayrates. In the meantime, however, challenges will continue for the industry. Seadrill's high specification fleet gives the Company the flexibility to choose the right contract at the right rate and remain idle if necessary.

The long term outlook for the floater market is strong, and we believe the current market is a short term dislocation driven by a pullback in spending at a time when a significant number of new rigs are entering service. Over the long run, these rigs will be absorbed as reserves discovered in the deep and ultra-deepwater are developed. Major oil companies continue to focus their activity on 6th generation units with high variable deckload capacity, dual BOP's, and dual activity capabilities in a bid to advance the safety and efficiency of the rigs they employ.

Activity in Brazil has continued to improve throughout the year. The majority of the contract extensions have now been approved, Petrobras has added four incremental rigs, further tenders from Petrobras and IOC's have already been released and more are anticipated. We are pleased to have completed our two extensions and successful tenders for the West Tellus and West Carina on the Libra field.

The US Gulf of Mexico has been an active market over the course of the last quarter; however this has primarily been low specification or short term work. The Gulf of Mexico is likely to continue as an active area as smaller independents take advantage of a low dayrate environment; however, with a number of 5th generation units currently stacked in the GoM, competition will be fierce for any available work. The most recent announcements for two Hess contracts were a negative surprise for the market as these appear to be cash flow breakeven rates, possibly due to the fact that they were bid by a contractor with a significant number of lower specification and uncontracted rigs in its fleet. It remains to be seen if other operators participate in this type of bidding strategy and if this represents a valid leading edge dayrate.

In Mexico, the energy reform process continues to progress and oil companies are beginning to consider budgets allocated to the region. Seadrill remains a front-runner for tenders in the region with the establishment of our Joint Venture, SeaMex, and having operated the West Pegasus in the region for nearly three years.

Activity in the West African market remains solid with a number of floater tenders in progress and additional work scopes anticipated in the next year. This is a key market for Seadrill and we believe our local content and operational performance in this region positions us to capitalize on these opportunities.

Arctic Regions continue to be one of the more interesting centers of expected activity. Based on the positive results from the Kara Sea drilling this summer, the potential incremental demand for offshore drilling rigs coming from Russia is more visible than ever. On the other hand, the Norwegian and UK markets are experiencing contract cancellations and rigs are being placed on standby. Thus far Statoil has managed to put six rigs either on standby rate or has cancelled the contract. Clearly this is a negative development for the market and this region will remain soft so long as this activity continues.

Premium jack-up rigs

The premium jack-up market must be approached with an element of caution. Overall utilization continues to decline as the market digests newbuilds coming to market. The dynamics in the jack-up market are quite different from the floater market as the work is primarily development and is not affected by cuts in exploration budgets. However, with 65 units expected to come into service during 2015 there is likely to be increased pressure on dayrates in the short term.

Although this may paint a rather bleak picture, there is a high likelihood that many rigs that are on order do not make it to market, or end up in the hands of contractors without the operational and safety track record required to compete in the global market. This will result in oversupply near yards and opportunities for more established companies to acquire assets as smaller players encounter difficulties. Major oil companies do however continue to high grade their jackup fleets, which will provide some attractive opportunities for established contractors in this segment

Looking at the overall supply and demand balance in the long run, the fundamentals remain intact. With over 200 rigs older than 30 years and roughly 140 rigs expected to be delivered by 2017, a replacement cycle will ultimately materialize. The key questions still to be answered are how long it takes for attrition to take place and if the high specification units can retain pricing power during this replacement cycle.

A very competitive jack-up market puts further emphasis on the need for drilling contractors to have strong local relationships in markets where national oil companies dominate the tendering process. Seadrill's global footprint is underpinned by our ability to develop and execute on building a local presence through Joint Ventures models that comply with strict local content regulations, example of which already exist in Mexico, West Africa, and Asia.

Finance, Dividend & Outlook

Financial Strategy & Outlook

The Seadrill Group has secured over US$9 billion in new financing commitments this year with a number of capital market and bank funding transactions.

In September, Seadrill Partners priced a successful US$245 million equity offering. This was Seadrill Partners second equity offering done without being linked to a specific acquisition. In the last 12 months Seadrill Partners has raised approximately US$1.2 billion in equity proceeds to acquire drilling units and operating company units from Seadrill Limited.

Following the equity offering, in October, Seadrill Partners acquired the West Vela from Seadrill Limited. The implied purchase price of the Vela Acquisition was US$900 million, less US$433 million of bank debt outstanding under the facility related to the West Vela. Based on the Company's 51% ownership of Capricorn Holdings, its portion of the net purchase price after debt was US$238 million.

Going forward we will continue to explore refinancing alternatives for the remaining related party debt on the West Vencedor, T-15 and T-16 at the Seadrill Partners level and continue to release capital associated with dropdown transactions already executed. We will also be exploring solutions for refinancing the debt associated with the West Vela at the Seadrill Partners level.

In November Seadrill received commitments from 13 banks for the US$750 million SeaMex credit facility with a 5 year term and 10 year amortization profile to refinance the West Oberon, West Intrepid, West Defender, West Courageous, and West Titania. These rigs will be contributed to the Company's joint venture with Fintech in Mexico and have long term contracts in place with Pemex. The facility has no recourse to Seadrill Limited and was 50% oversubscribed, demonstrating our lending banks' continued commitment to Seadrill.

Additionally in November, Seadrill received commitments from 14 banks for a US$950 million credit facility with a 5 year term and 10 year amortization profile to finance the West Carina and refinance the West Eclipse. The new loan was substantially oversubscribed and will provide Seadrill with US$184 million in additional cash. For the West Carina, the loan was structured with a "steel tranche" and a "contract tranche" in preparation for the possibility that the West Carina would be delivered without a contract. The announcement of Petrobras Board approval for the unit on the Libra Field removes the necessity for this structure; however we are pleased to have worked through this process with our banking group and intend to apply the structure going forward.

Today, the Company has four jack-up units and a US$350 million bond to be refinanced in 2015, one ultra-deepwater and four jack-up units in 2016 representing a total of US$1.1 billion to be refinanced between now and the end of 2016.

In terms of funding our new deliveries, the secured bank market remains very receptive to Seadrill credit. For the remainder of 2014 we are fully financed, having taken delivery of our last newbuilds for the year in September and reached an agreement with the shipyard for the delayed delivery of the Sevan Developer.

For 2015 and 2016 we have a total of US$1.6 billion and US$2.3 billion in yard installments to finance, respectively. This will likely be funded by a syndicate of commercial banks and export credit agencies. Similar to our strategy for financing the West Carina, we have informed our banking group of our intent to explore a "steel tranche" that would cover approximately 50% loan to value and in conjunction seek commitments for a delayed draw revolver contingent on having a contract for the unit, bringing total leverage up to our typical 70% loan to value.

Following Seadrill Partners' equity offering in September, Seadrill's ownership fell below 50% and our lending banks will now treat Seadrill and Seadrill Partners as deconsolidated entities. For our banking group, EBITDA has become a less relevant metric for the degree of leverage that Seadrill can sustain. Therefore, the group has permitted the inclusion of cash coming from associated companies into the adjusted EBITDA definition for the leverage ratio calculation. The treatment of forward EBITDA for a rig delivered with a contract for a year or longer has not changed and this will continue to be included in the adjusted EBITDA figure under the revised definitions.

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Quarterly Cash Dividend
Seadrill's dividend policy is based on a number of factors, including earnings, market prospects, current capital expenditure programs and investment opportunities. Our earnings are driven by the orderbacklog and the margin we expect to earn which in turn rely on our operations. In assessing the dividend capacity the Board is looking for visibility on the outlook for the drilling market. Although we have the ability to sustain the dividend based on our existing orderbacklog, the near term offshore market is becoming increasingly challenging.

Since our last quarterly report a number of developments have affected these factors that dictate our dividend distributions. The most significant impact has been the uncertainty in the macro environment. The Board views the deterioration in oil prices as an indicator of more broad demand growth concerns and must approach the current macro environment with an element of caution. This, taken into account with the near term oversupply of drilling units makes it all the more important to build a strong balance sheet. In addition, the financing market has become incrementally worse, and although Seadrill still has significant access to funding, some markets have become unattractive.
In light of the changes that have taken place since our last report, the Board has taken the decision to suspend dividend distributions for the time being. The Board believes this decision will enable Seadrill to strengthen its balance sheet and, at the same time, put the Company in a position to act as a consolidator as opportunities become available during this downturn, or to grow organically. By pausing the dividend, Seadrill's capital position will improve by approximately US$2 billion per year, and a significant portion of these funds will be available to be deployed to strengthen the balance sheet and to invest in value creating opportunities, including both industrial growth avenues and more pure financial transactions.
To provide alternatives for deploying this capital the Board has authorized a share buyback program of up to 10% of the outstanding shares over the course of next 12 months. Please refer to Appendix II for additional information on the share repurchase program. Additionally, Seadrill will be looking across its portfolio of outstanding debt and equity securities for other opportunities. However, the Board expects the majority of available funds to initially be used to de-leverage the balance sheet.
John Fredriksen, Chairman of Seadrill comments, "The decision to suspend the dividend has been a difficult decision for the Board. However, taking into consideration the significant deterioration in the broader offshore drilling and financing markets over the past quarter, the Board believes this is the right course of action for the Company. I am confident that Seadrill will emerge from this downturn even stronger and that we will resume our distributions in the future."

Outlook
Overall the Board is pleased with Seadrill's performance in this challenging market although utilization levels are below expectations. While some of our competitors are willing to work for rates that are at or below cash flow break even, Seadrill is not required to follow suit. Seadrill's track record of safe efficient operations with a premium customer base currently provides an order backlog of the magnitude that allows the Company to wait for the right opportunity to deploy available rigs rather than being forced to sign at weak rates.

Seadrill has a number of differentiating factors:
1. Strategic Focus on Premium Asset Classes
Amongst the established drilling contractors, Seadrill has the highest percentage of units in premium asset classes. These high specification units tend to retain pricing power and have a higher utilization rate through the cycle. Current market evidence supports this thesis as older generation units are being stacked amidst rapidly falling dayrates.
2. Robust Backlog and High Quality Customer Base
The Seadrill Group currently has roughly US$20 billion in contract backlog with the most creditworthy customers in the oil and gas business. This does not include our 50% interest in US$3.8 billion of backlog in our Brazilian joint venture with SapuraKencana or our 30% interest in US$8.7 billion of backlog in the Setebrazil newbuild venture.
3. Limited Exposure to Current Dayrate Environment

Following the announcement of the Libra field contracts and extensions with Petrobras, Seadrill has 9% of its floater fleet available in 2015, and 26% available in 2016. The fleet is well positioned for stronger future dayrates.

4. High Degree of Equity Funding and Consistent Access to Capital

Over the course of the past year the Company has raised over US$1 billion in equity at Seadrill Partners. In addition, in 2014 Seadrill has raised over US$8 billion in capital from a diverse set of sources. Although the near term markets are challenging, Seadrill continues to have access to numerous capital markets.

5. Balanced Capital Structure & Manageable Funding Requirements

Seadrill has diversified its sources of funding in order to reduce reliance on secured bank financing and staggered its debt maturities to avoid large refinancing cliffs. The Company has defined its funding requirements and the finance team has a well-articulated plan to manage these expenditures.

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The Board is pleased that Seadrill has been able to lock up nearly 100% of its floater fleet for 2015 in this uncertain environment. Evidence of scrapping activity has begun recently and this will likely accelerate. As our competitors scrap old units they will hopefully become more disciplined in bidding their high specification units.

The Board also expects opportunities to arise as we move through the cycle. Given the changes in the macro environment over the past few months the market needs to be prepared for a more sustained down cycle. This will create opportunities for Seadrill for either organic or acquisitive growth.

We continue to advance discussions on our Agreement with Rosneft. Based on the positive results from the Kara Sea drilling this summer, the incremental demand for offshore drilling in Russia is more likely than ever. Our first mover advantage places the Company in pole position to grow the Russian business, even after taking into consideration the current uncertainties around commencement dates.

The Board is pleased with the Company's ability to raise equity capital at Seadrill Partners. Although the share price has declined along with the broader MLP index, Seadrill remains committed to Seadrill Partner's strategy of growing its distributions. For 2014 we expect Seadrill Partners to have grown in excess of 30%, outperforming its distribution growth guidance. Seadrill Partners has a number of markets at its disposal to finance additional acquisitions including but not limited to preferred shares, secured debt, and vendor financing. Seadrill believes distributions can grow despite the current trading level and will explore all avenues to ensure that Seadrill Partners unitholders realize the distribution growth targeted at IPO.

Fourth quarter EBITDA is expected to be higher than the third quarter results for the Seadrill Group on a consolidated basis and the Group is on track to earn approximately US$10 million in EBITDA per day by the end of the year. Expectations for the fourth quarter include approximately 100 days of downtime experienced on our deepwater rigs quarter to date.

Forward-Looking Statements

This news release includes forward looking statements. Such statements are generally not historical in nature, and specifically include statements about the Company's plans, strategies, business prospects, changes and trends in its business and the markets in which it operates. These statements are made based upon management's current plans, expectations, assumptions and beliefs concerning future events impacting the Company and therefore involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, which speak only as of the date of this news release. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to offshore drilling market conditions, contract backlog, dry-docking and other costs of maintenance of the drilling rigs in the Company's fleet, the cost and timing of shipyard and other capital projects, the performance of the drilling rigs in the Company's fleet, delay in payment or disputes with customers, fluctuations in the international price of oil, international financial market conditions including the international financial crisis, changes in governmental regulations that affect the Company or the operations of the Company's fleet, increased competition in the offshore drilling industry, and general economic, political and business conditions globally. Consequently, no forward-looking statement can be guaranteed. When considering these forward-looking statements, you should keep in mind the risks described from time to time in the Company's filings with the SEC, including its Annual Report on Form 20-F.

The Company undertakes no obligation to update any forward looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, the Company cannot assess the impact of each such factors on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward looking statement.

November 26, 2014
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management Ltd represented by:

Per Wulff: Chief Executive Officer and President
Rune Magnus Lundetræ: Chief Financial Officer and Senior Vice President

Media contact
Rune Magnus Lundetræ
Chief Financial Officer
Seadrill Management Ltd.
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Appendix I

Associated companies
Seadrill Partners
Seadrill currently owns a total of 42,819,100 units which consists of both common and subordinated units of Seadrill Partners which represents 46.6% of the total outstanding units in Seadrill Partners. This represent a gross value of US$878 million based on the closing share price of US$20.65 on November 25, 2014. Seadrill also owns 100% of the incentive distribution rights in Seadrill Partners and receives approximately US$2.7 million in quarterly IDR distributions.
For more information on Seadrill Partners, see their separate quarterly report published on www.seadrillpartners.com.

North Atlantic Drilling ("NADL")
Seadrill currently owns 169,663,723 shares in NADL or 70.4% of the Company, which represents a gross value of US$537.8 million based on the closing share price of US$3.17 on November 25, 2014.
For more information on NADL, see their separate quarterly report published on www.nadlcorp.com.

Archer Limited ("Archer")

Seadrill currently owns 231,053,240 shares in Archer, or 39.9%, which represents a gross value of US$211.8 million on the closing share price of NOK6.24 on November 25, 2014. Archer contributed a gain of US$5 million to our third quarter net income. Archer is reported as part of investment in associated companies under other financial items. The book value of Seadrill's investment in Archer is US$1 million.
For more information on Archer Limited, see their separate quarterly report published on www.archerwell.com.

Sevan Drilling ASA ("Sevan Drilling")
Seadrill's stake in Sevan is 50.1%, representing a gross value of US$39.0 million based on the closing share price of NOK0.89 on November 25, 2014.
For more information on Sevan Drilling, see their separate quarterly report published on www.sevandrilling.com.

At current market prices, the total net value of these investments is approximately US$1.7 billion.

Other investments

SapuraKencana Petroleum Bhd.("SapuraKencana")

Based on the closing share price of MYR3.26 on November 25, 2014 the total value of our shares is US$476.6 million. We continue to invest in our Brazilian joint project in support of its PLSV newbuild program. The joint venture has ordered six PLSV vessels which are expected to commence operation before year end 2016 representing a total order backlog of US$3.8 billion. The first two vessels, Sapura Diamante and Sapura Topazio, commenced operations for Petrobras in June and September. Each vessel has a contract for a period of five years with an extension option for an additional five years. Total revenue potential for the firm contract period is estimated at US$445 million per vessel. Accumulated utilization since start-up has been 98%.

Additionally, we continue to manage two tender rigs outside of Asia, and provide management administration and support services.

Appendix II

To provide alternatives for deploying this capital the Board has authorized a share buyback program under which the Company may repurchase up to approximately 10% of shares outstanding over the next year. The Company intends to repurchase shares from time to time in open market transactions or private transactions in accordance with applicable securities laws. The timing and amount of any repurchases will be determined by Management of the Company based on its evaluation of market conditions, capital allocation opportunities, and other factors. The new buyback program does not require the Company to repurchase any specific number of shares and may be modified, suspended, extended or terminated by the Company at any time without prior notice.

Seadrill Limited

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three and nine months ended September 30, 2014 and 2013

(In US$ millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues				
Contract revenues	1,149	1,188	3,355	3,528
Reimbursable revenues	64	55	173	229
Other revenues	80	37	208	56
Total operating revenues	1,293	1,280	3,736	3,813
Gain on disposals	—	—	440	61
Operating expenses				
Vessel and rig operating expenses	521	491	1,450	1,412
Reimbursable expenses	53	48	154	207
Depreciation and amortization	174	192	513	511
General and administrative expenses	84	78	232	214
Total operating expenses	832	809	2,349	2,344
Net operating income	461	471	1,827	1,530
Financial items and other income and expense				
Interest income	2	6	45	16
Interest expense	(114)	(107)	(356)	(311)
Share in results from associated companies	(26)	(10)	48	(34)
(Loss)/gain on derivative financial instruments	(80)	(5)	(212)	131
Net loss on debt extinguishment	(76)	—	(76)	—
Foreign exchange gain	52	—	59	27
Gain on realization of marketable securities	—	—	131	—
Gain on sale of tender rig business	—	—	—	1,256
Gain on deconsolidation of Seadrill Partners	—	—	2,339	—
Other financial items and other income and expense	10	20	100	43
Total financial items and other income and expense	(232)	(96)	2,078	1,128
Income before income taxes	229	375	3,905	2,658
Income tax (expense) / benefit	(39)	(60)	32	(153)
Net income	190	315	3,937	2,505
Net income attributable to the non-controlling interest	41	29	115	83

Net income attributable to the parent	149	286	3,822	2,422
Basic earnings per share (U.S. dollar)	0.31	0.61	8.08	5.16
Diluted earnings per share (U.S. dollar)	0.31	0.60	7.98	4.98
Declared regular dividend per share (U.S. dollar)	—	0.95	2.00	2.74

See accompanying notes that are an integral part of these Consolidated Financial Statements.
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Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the three and nine months ended September 30, 2014 and 2013
(In US$ millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	190	315	3,937	2,505
Other comprehensive (loss) / income, net of tax:				
Change in unrealized (loss)/ gain on marketable securities, net	(79)	(116)	(272)	71
Change in unrealized foreign exchange differences	(6)	—	(29)	—
Change in actuarial loss relating to pension	(16)	(9)	(27)	(4)
Change in unrealized gain on interest rate swaps in VIEs and subsidiaries	3	(2)	(48)	2
Other	—	—	49	—
Other comprehensive (loss)/ income:	(98)	(127)	(327)	69
Total comprehensive income for the period	92	188	3,610	2,574
Comprehensive income attributable to the non-controlling interest	38	24	61	84
Comprehensive income attributable to the parent	54	164	3,549	2,490

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Seadrill Limited
UNAUDITED CONSOLIDATED BALANCE SHEETS
as of September 30, 2014 and December 31, 2013
(In US$ millions)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	638	744
Restricted cash	279	168
Marketable securities	878	416
Accounts receivables, net	797	1,042
Amount due from related party	449	101
Assets held for sale - current	105	—
Other current assets	276	363
Total current assets	3,422	2,834
Non-current assets		
Investment in associated companies	2,711	140
Marketable securities	582	666
Newbuildings	3,794	3,419
Drilling units	13,932	17,193
Goodwill	886	1,200
Restricted cash	114	150
Deferred tax assets	48	37
Equipment	44	49
Amount due from related party non-current	262	—
Assets held for sale - non-current	1,079	—
Other non-current assets	513	612
Total non-current assets	23,965	23,466
Total assets	27,387	26,300
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	1,689	1,566
Trade accounts payable	90	90
Short-term debt to related party	95	55
Liabilities associated with assets held for sale - current	57	—
Other current liabilities	1,678	2,114
Total current liabilities	3,609	3,825
Non-current liabilities		
Long-term debt	11,422	11,900
Long-term debt due to related parties	560	1,415
Deferred tax liabilities	79	60
Liabilities associated with assets held for sale - non-current	49	—
Other non-current liabilities	724	898
Total non-current liabilities	12,834	14,273
Equity		
	985	938

Common shares of par value US$2.00 per share: 800,000,000 shares authorized 492,759,938 outstanding at September 30, 2014 (December 31, 2013, 468,978,492)		
Additional paid in capital	3,262	2,641
Contributed surplus	1,956	1,956
Accumulated other comprehensive income	255	528
Retained earnings	3,856	1,449
Total shareholders' equity	10,314	7,512
Non-controlling interest	630	690
Total equity	10,944	8,202
Total liabilities and equity	27,387	26,300

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended September 30, 2014 and 2013
(In US$ millions)

	Nine Months Ended September 30, 2014	2013
Cash Flows from Operating Activities		
Net income	3,937	2,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	513	511
Amortization of deferred loan charges	36	32
Amortization of unfavorable and favorable contracts	(90)	(38)
Amortization of mobilization revenue	(133)	(94)
Share of results from associated companies	(98)	34
Share-based compensation expense	8	5
Gain on disposals and deconsolidations	(2,779)	(1,335)
Loss on sale of investments	88	—
Unrealized gain / (loss) related to derivative financial instruments	61	(195)
Dividends received from associated companies	477	15
Deferred income tax	(3)	(32)
Unrealized foreign exchange loss / (gain) on long-term debt	(61)	(24)
Payments for long-term maintenance	(280)	(166)
Gain on realization of marketable securities	(138)	—
Net loss on debt extinguishment	10	—
Other	(52)	(32)
Changes in operating assets and liabilities, net of effect of acquisitions and disposals		
Unrecognized mobilization fees received from customers	174	161
Trade accounts receivable	1	(207)
Trade accounts payable	29	12
Prepaid expenses/accrued revenue	15	53
Other, net	(420)	(1)
Net cash provided by operating activities	1,295	1,204

Cash Flows from Investing Activities		
Additions to newbuildings	(2,371)	(2,204)
Additions to drilling units and equipment	(154)	(494)
Sale of rigs and equipment	—	48
Business combinations and step acquisitions, net of cash acquired	—	(531)
Sale of business, net of cash disposed	673	1,991
Cash in deconsolidated subsidiaries	(90)	—
Change in restricted cash	(75)	32
Investment in associated companies	7	(224)
Purchase of marketable securities	(150)	—
Loan granted to related parties	—	(125)

Payments received from loans granted to related parties	2,082	10
Proceeds from disposal of marketable securities	307	—
Net cash provided/(used) in investing activities	229	(1,497)

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Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended September 30, 2014 and 2013
(In US$ millions)

	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Financing Activities		
Proceeds from debt	4,644	2,958
Repayments of debt	(3,984)	(1,753)
Debt fees paid	(63)	(46)
Proceeds from debt to related party	90	756
Repayments of debt to related party	(910)	(930)
Dividends paid to non-controlling interests	(58)	(51)
Contribution from non-controlling interests, net of issuance costs	114	—
Proceeds relating to share forward contracts and other derivatives	—	453
Purchase of treasury shares	(18)	(25)
Proceeds from sale of treasury shares	—	5
Employee stock options exercised	4	—
Dividends paid	(1,415)	(841)
Net cash (used in)/provided by financing activities	(1,596)	526
Cash reclassified as held for sale	(34)	—
Net (decrease)/increase in cash and cash equivalents	(106)	233
Cash and cash equivalents at beginning of the period	744	318
Cash and cash equivalents at the end of period	638	551
Supplementary disclosure of cash flow information		
Interest paid, net of capitalized interest	(373)	(214)
Taxes paid	(353)	(116)

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the nine months ended September 30, 2014 and 2013
(In US$ millions)

	Common shares	Additional paid-in capital	Contributed surplus	Accumulated OCI	Retained earnings	Total equity before NCI	NCI	Total equity
Balance at December 31, 2012	938	2,332	1,956	194	83	5,503	521	6,024
Sale and purchase of treasury shares, net	—	(19)	—	—	—	(19)	—	(19)
Employee stock options issued	—	5	—	—	—	5	—	5
Establishment of non-controlling interest	—	—	—	—	—	—	297	297
Other comprehensive income	—	—	—	68	—	68	1	69
Dividend payments	—	—	—	—	(841)	(841)	(51)	(892)
Dividend to Non-controlling interests in VIEs	—	—	—	—	—	—	(223)	(223)
Net income	—	—	—	—	2,422	2,422	83	2,505
Balance at September 30, 2013	938	2,318	1,956	262	1,664	7,138	628	7,766
Balance at December 31, 2013	938	2,641	1,956	528	1,449	7,512	690	8,202
Sale and purchase of treasury shares, net	(1)	(22)	—	—	—	(23)	—	(23)
Share-based compensation charge	—	8	—	—	—	8	—	8
Employee stock options issued	1	4	—	—	—	5	—	5
Conversion of convertible bond	47	568	—	—	—	615	—	615
Deconsolidation of Seadrill Partners	—	—	—	—	—	—	(115)	(115)
Initial public offering of North Atlantic Drilling	—	63	—	—	—	63	52	115
Other comprehensive income	—	—	—	(273)	—	(273)	(54)	(327)
Dividend payments	—	—	—	—	(1,415)	(1,415)	(58)	(1,473)
Net income	—	—	—	—	3,822	3,822	115	3,937
Balance at September 30, 2014	985	3,262	1,956	255	3,856	10,314	630	10,944

See accompanying notes that are an integral part of these Consolidated Financial Statements.

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Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

Seadrill Limited is incorporated in Bermuda and is a publicly listed company on the New York Stock Exchange and the Oslo Stock Exchange. We provide offshore drilling services to the oil and gas industry. As of September 30, 2014 we owned and operated 40 offshore drilling units and had 20 units under construction. Our fleet consists of drillships, jack-up rigs and semi-submersible rigs for operations in shallow and deepwater areas, as well as benign and harsh environments.

As used herein, and unless otherwise required by the context, the term "Seadrill" refers to Seadrill Limited and the terms "Company", "we", "Group", "our" and words of similar import refer to Seadrill and its consolidated companies. The use herein of such terms as group, organization, we, us, our and its, or references to specific entities, is not intended to be a precise description of corporate relationships.

Basis of presentation

The unaudited interim consolidated financial statements are stated in accordance with generally accepted accounting principles in the United States of America (US GAAP). The unaudited interim consolidated financial statements do not include all of the disclosures required in complete annual financial statements. These interim financial statements should be read in conjunction with our annual financial statements filed with the SEC on Form 20-F as at December 31, 2013. The year-end condensed balance sheet data that was derived from our audited 2013 financial statements does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement have been included. The amounts are presented in United States dollar (US dollar) rounded to the nearest million, unless stated otherwise.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of our annual audited consolidated financial statements for the year ended December 31, 2013 unless otherwise included in these unaudited interim financial statements as separate disclosures.

Note 2 – Recent Accounting Pronouncements

Recently Adopted Accounting Standards

Balance sheet—Effective January 1, 2014, the Company has adopted the accounting standards update that expands on the recognition, measurement and disclosure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. generally accepted accounting principles (GAAP). The update requires measurement of the obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of the amount the entity agreed to pay on the basis of its arrangement and any additional amount the Company expects to pay on behalf of its co-obligors. The update also requires an entity to disclose the nature, amount and other information of the obligation. The update was effective for interim and annual periods beginning on or after December 15, 2013. The adoption of this standard update did not have a material effect on our financial statements.

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the criteria for reporting discontinued operations to include only disposals representing a strategic shift in operations. The ASU also requires expanded disclosures regarding the assets, liabilities, income, and expenses of discontinued operations. This ASU will be effective for the first interim period beginning after December 15, 2014 and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides new authoritative guidance on the methods of revenue recognition and related disclosure requirements. The accounting standard update will be effective for the first interim period beginning after December 15, 2016 and early adoption is not permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides new authoritative guidance regards to management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The ASU will be effective for all entities in the first annual period ending after December 15, 2016 (December 31, 2016 for calendar year-end entities) and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In November 2014, the FASB issued ASU 2014-17, Business Combinations (Topic 805): Pushdown accounting, which provides guidance that allows all acquired entities to choose to apply pushdown accounting in their separate financial statements when an acquirer obtains control of them. The new guidance is effective immediately. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

Seadrill Limited

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Segment information

Operating segments

The Company provides offshore drilling services to the oil and gas industry. Our business has been organized into segments based on differences in management structure and reporting, economic characteristics, customer base, asset class, and contract structure. We currently operate in the following three segments:

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

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

Tender rigs: Services encompassing drilling, completion and maintenance of offshore production wells in Southeast Asia, West Africa and the Americas. The drilling contracts for this segment relate to self-erecting tender rigs and semi-submersible tender rigs. Following the deconsolidation of Seadrill Partners as of January 2, 2014 the Company no longer has drilling contracts in the Tender rig segment.

Segment results are evaluated on the basis of operating profit, and the information given below is based on information used for internal management reporting. To more closely align the segment results with the information presented for internal management reporting, we have made the following changes to the measures of segmental performance in the period: Total revenues (previously presented contract revenue); Drilling units and newbuildings (previously presented total assets). Prior periods have been conformed to the current period presentation. No changes have been made to the reportable segments. The accounting principles for the segments are the same as for our consolidated financial statements.

Total revenue

(In US$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Floaters	842	902	2,560	2,605
Jack-up rigs	408	292	1,058	835
Tender rigs	—	49	—	317
Other	43	37	118	56
Total	1,293	1,280	3,736	3,813

Depreciation and amortization

(In US$ millions)	Three Months Ended September	Nine Months Ended September

	30, 2014	2013	30, 2014	2013
Floaters	128	146	376	381
Jack-up rigs	46	42	137	117
Tender rigs	—	4	—	13
Total	174	192	513	511

Operating income - Net Income

(In US$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Floaters	324	354	1,469	1,041
Jack-up rigs	133	99	348	340
Tender rigs	—	18	—	149
Other	4	—	10	—
Operating income	461	471	1,827	1,530
Unallocated items:				
Total financial items and other	(232)	(96)	2,078	1,128
Income taxes	(39)	(60)	32	(153)
Net Income	190	315	3,937	2,505

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Seadrill Limited

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Drilling Units and Newbuildings - Total Assets

(In US$ millions)	As of September 30, 2014	As of December 31, 2013
Floaters	13,383	15,459
Jack-up rigs	4,343	4,699
Tender rigs	—	454
Total Drilling Units and Newbuildings	17,726	20,612
Unallocated items:		
Assets held for sale	1,184	—
Investments in associated companies	2,711	140
Marketable securities	1,460	1,082
Goodwill	886	1,200
Cash and restricted cash	1,031	1,062
Other assets	2,389	2,204
Total Assets	27,387	26,300

Goodwill

(In US$ millions)	As of September 30, 2014	As of December 31, 2013
Floaters	646	890
Jack-up rigs	240	281
Tender rigs	—	29
Total	886	1,200

Capital expenditures – fixed assets

(In US$ millions)	Nine Months Ended September 30,	
	2014	2013
Floaters	2,027	2,514
Jack-up rigs	778	905
Tender rigs	—	129
Total	2,805	3,548

Note 4 - Deconsolidation of Seadrill Partners

Under the terms of the Operating Agreement of Seadrill Partners LLC (Seadrill Partners) the board of directors of Seadrill Partners has the power to oversee and direct the operations of, and manage and determine the strategies and policies of Seadrill Partners. During the period from Seadrill Partners' IPO in October 2012 until the time of its first effective Annual General Meeting ("AGM") on January 2, 2014, the Company retained the sole power to appoint, remove and replace all members of Seadrill Partner's board of directors. From the first AGM, the majority of the board members became electable by the common unitholders and accordingly, from this date the Company no longer retained the power to control the board of directors as a result of certain provisions in the Operating Agreement which limits the Company's ability to vote its full holding of common units in an election of directors to the board of Seadrill Partners. As of January 2, 2014, Seadrill Partners is considered to be an affiliated entity and not a controlled subsidiary of the Company, and as such Seadrill Partners was deconsolidated by the Company.

As a result of the deconsolidation the Company has derecognized the assets and liabilities of Seadrill Partners and its subsidiaries, and has recognized its ownership interests in Seadrill Partners and its direct ownership interests in Seadrill Partners subsidiaries, Seadrill Capricorn Holdings LLC, Seadrill Operating LP, Seadrill Deepwater Drillship Ltd and its indirect ownership of Seadrill Mobile Units through another wholly owned subsidiary, at fair value at the date of deconsolidation. Additionally, the external third party debt associated with the drilling units in Seadrill Partners is not derecognized from the Company on the deconsolidation date as the external debt was not transferred to Seadrill Partners or its subsidiaries, however, the Company had entered into back to back loan agreements at the time of the IPO and upon each sale of a drilling unit to Seadrill Partners which mirror the same terms and conditions and therefore the Company has recognized a related party loan receivable for similar amounts. The excess of the fair value of the investments over the carrying value of Seadrill's share of Seadrill Partners' net assets has been recognized as a gain in the Company's consolidated statement of operations.

Seadrill Limited

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The gain recognized on deconsolidation, which all relates to the remeasurement of the Company's retained interests in Seadrill Partners and its subsidiaries is as follows:

(In US$ millions)	As at January 2, 2014
Fair value of investment in Seadrill Partners (a)	3,724
Carrying value of the non-controlling interest in Seadrill Partners	115
Subtotal	3,839
Less:	
Carrying value of Seadrill Partners' net assets	1,260
Goodwill allocated to Seadrill Partners	240
Gain on deconsolidation	2,339

(a) Fair value of investments and continuing involvement with investees

The estimated fair value of the Company's residual interest in Seadrill Partners comprised of the following:

(In US$ millions)	As of January 2, 2014
Common units (i)	671
Subordinated units (ii)	427
Seadrill Member Interest and Incentive Distribution Rights ("IDRs") (iii)	244
Direct ownership interests (iv)	2,382
Total	3,724

(i) Common units (marketable securities)

As of the deconsolidation date, the Company held 21.5 million common units representing 48.3% of the common units in issue as a class. The Company's holding in the voting common units of Seadrill Partners are accounted for as marketable securities on the basis that during the subordination period the common units have preferential dividend and liquidation rights, and therefore does not represent 'in-substance common stock' as defined by US GAAP.

These securities have been recognized on January 2, 2014 at the quoted market price and are re-measured at fair value each reporting period. Any unrealized gains and losses on these securities are recognized directly in equity as a component of other comprehensive income unless an unrealized loss is considered "other-than-temporary", in which case it is transferred to the statement of operations and realized. Dividend income from the common units is recognized in the consolidated statement of operations.

(ii) Subordinated units

As of the deconsolidation date the Company held 16.5 million units representing 100% of the subordinated units. The Company's holding in the subordinated units of Seadrill Partners are accounted for under the equity method on the basis that the subordinated units are considered to be 'in-substance common stock'. The subordination period will end on the satisfaction of various tests as prescribed in the Operating Agreement of Seadrill Partners, but will not end before September 30, 2017 except upon removal of the Seadrill Member. Upon the expiration of the subordination period, the subordinated units will convert into common units.

The fair value of the subordinated units on January 2, 2014, was determined based on the quoted market price of the listed common units as of the deconsolidation date, but discounted for their non-tradability and subordinated dividend and liquidation rights during the subordination period. Under the equity method the Company recognizes its share of

Seadrill Partners' earnings allocable to the subordinated units, less amortization of the basis difference (see (c) below), through the 'share in results of associated companies' line in the consolidated statement of operations. Dividends are recognized as a reduction in investment carrying value.

(iii) Seadrill Member Interest and IDRs
The Seadrill Member Interest (which is a 0% non-economic interest) holds the rights to 100% of the IDRs and is unable to trade these until the end of the subordination period without the approval of a majority of unaffiliated common unitholders. The Seadrill Member Interest and the IDRs in Seadrill Partners are accounted for as cost-method investments on the basis that they do not represent common stock interests and their fair value is not readily determinable. The investments are held at cost and not subsequently re-measured.
The fair value of the Company's interest in the Seadrill Member and the attached IDRs as of January 2, 2014 was determined using a Monte Carlo simulation method. The method takes into account the cash distribution waterfall, historical volatility, dividend yield and share price of the common units as of the deconsolidation date. Distributions to the IDRs are recognized in the consolidated statement of operations.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

iv) Direct Ownership interests

The Company holds the following ownership interests in entities controlled by Seadrill Partners as of the date of deconsolidation:

- 70% ownership in Seadrill Operating LP

Seadrill Operating LP is a limited partnership and is controlled by its General Partner, Seadrill Operating GP LLC, which is wholly owned by Seadrill Partners.

- 49% ownership in Seadrill Capricorn Holdings LLC

Seadrill Capricorn Holdings LLC is a limited liability company. There is only one class of member interest which is deemed to represent voting common stock.

- 39% ownership of Seadrill Deepwater Drillship Ltd. and 39% (indirect) ownership of Seadrill Mobile Units (Nigeria) Ltd.

The Company holds a 39% direct ownership interest in Seadrill Deepwater Drillship Ltd. and a 39% indirect ownership of Seadrill Mobile Units Ltd., through its 100% subsidiary, Seadrill UK Ltd. Both entities are limited companies and only have one class of stock, which is deemed to represent voting common stock.

All of the Company's direct ownership interests are accounted for under the equity method as the Company is deemed to have significant influence over these entities through its voting rights and by virtue of Seadrill's representation on the board of Seadrill Partners.

The fair values of the four ownership interests described above have been determined using a discounted cash-flow ("DCF") methodology, using discounted cash-flow forecasts.

(b) Gain on retained investment

The entire gain on deconsolidation relates to the re-measurement of the various retained investments described above.

(c) Accounting for basis differences

The Company's investments that are accounted for under the equity method (subordinated units and direct ownership interests) were recognized at fair value upon deconsolidation. Basis differences therefore exist between the fair value of the investments and the underlying carrying values of the investees' net assets at the date of deconsolidation. A valuation exercise has been performed for each separate investment accounted for under the equity method, in order to allocate these basis differences to identifiable assets and liabilities, with any residual amount recognized as goodwill. Differences have been allocated to depreciable or amortizable assets or liabilities and will be amortized over the estimated useful economic life of the underlying assets and liabilities. This amortization is recognized in the consolidated statement of operations in the 'share in results from associated companies' line.

The total investments in Seadrill Partners recorded under the equity method of $2,809 million included the Company's share of the basis difference between the total fair value and the total underlying book value of Seadrill Partners' assets at the deconsolidation date are as follows:

(In US$ millions)	Book value	Fair value	Basis Difference	Seadrill's share of basis difference (1)
Drilling units	3,444	5,245	1,801	1,295
Drilling contracts	—	170	170	142
Goodwill	—	1,214	1,214	352
	3,444	6,629	3,185	1,789

(1) Seadrill's share of the basis difference relates to both its investment in the subordinated units of Seadrill Partners LLC, and its direct ownership interests in various subsidiaries of Seadrill Partners, all of which investments are accounted for under the equity method. The total basis difference has been assigned based on Seadrill's proportional ownership interest in each investee. In the case of Seadrill's investment in the subordinated units of Seadrill Partners LLC, the proportional allocation to the subordinated units was based on the relative fair values of the various equity interests in Seadrill Partners LLC.

The basis difference has been accounted for as follows:

(i) The basis difference assigned to drilling units is being depreciated over the remaining estimated useful lives of the units.

(ii) The basis difference relating to the drilling contracts is being amortized over the remaining term of the contract.

(iii) The Company will not amortize the difference assigned to goodwill, but will consider any indicators of impairment.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Taxation

Income taxes consist of the following:

(In US$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Current tax benefit/(expense):				
Bermuda	—	—	—	—
Foreign	(34)	(63)	29	(185)
Deferred tax benefit/(expense):				
Bermuda	—	—	—	—
Foreign	(5)	3	3	36
Tax related to internal sale of assets in subsidiary, amortized for group purposes	—	—	—	(4)
Total tax benefit/(expense)	(39)	(60)	32	(153)
Effective tax rate	(17.0)%	(16.0)%	0.8%	(5.8)%

The effective tax rate for the three and nine months ended September 30, 2014 is (17.0)% and 0.8% respectively. The effective tax rate for the nine months ended September 30, 2014 has been positively impacted by the resolution of uncertain tax positions and the gain on deconsolidation of Seadrill Partners which was not subject to taxation.

The Company, including its subsidiaries, is taxable in several jurisdictions based on its rig operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the Company may pay tax within some jurisdictions even though it might have an overall loss at the consolidated level.

Income taxes for the three and nine months ended September 30, 2014 and 2013 differed from the amount computed by applying the statutory income tax rate of 0% as follows:

(In US$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income taxes at statutory rate	—	—	—	—
Effect of transfers to new tax jurisdictions	—	—	—	(4)
Effect of taxable income in various countries	(39)	(60)	32	(149)
Total	(39)	(60)	32	(153)

Deferred Income Taxes

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The net deferred tax asset (liability) consists of the following:

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Deferred Tax Assets:

(In US$ millions)	September 30, 2014	December 31, 2013
Pension	18	12
Provisions	14	8
Net operating losses carried forward	253	130
Other	1	2
Gross deferred tax asset	286	152
Valuation allowance related to net operating losses carried forward	(224)	(115)
Net deferred tax asset	62	37

Deferred Tax Liability:

(In US$ millions)	September 30, 2014	December 31, 2013
Property, plant and equipment	(61)	(60)
Gain from sale of fixed assets	—	—
Foreign exchange	(18)	—
Other	—	—
Gross deferred tax liability	(79)	(60)
Net deferred tax liability	(17)	(23)

Net deferred taxes are classified as follows:

(In US$ millions)	September 30, 2014	December 31, 2013
Short-term deferred tax asset	—	—
Long-term deferred tax asset	62	37
Short-term deferred tax liability	—	—
Long-term deferred tax liability	(79)	(60)
Net deferred tax liability	(17)	(23)

Future taxable income justifies the inclusion of tax loss carry-forwards in the calculation of net deferred taxes.

Uncertain Tax Positions

Certain of the Company's Norwegian subsidiaries have been party to an ongoing dispute to a tax reassessment issued in October 2011 by the Norwegian tax authorities in regards to the transfer of certain legal entities to a different tax jurisdiction and the principles for conversion of functional currency. In April 2014 these subsidiaries entered into a settlement agreement with the Norwegian tax authorities resulting in discontinued legal proceedings in the Oslo District Court. The terms of the settlement agreement include the Company making a cash payment to the tax authorities for settlement of revised reassessments agreed between the parties. Following settlement of the uncertainties arising from these matters, we recognized a decrease in the unrecognized tax benefits, including interest and penalties of approximately $147 million of which approximately $94 million had a positive impact on effective tax rate for the nine months ended September 30, 2014 as noted above.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Earnings per share

The computation of basic earnings per share ("EPS") is based on the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments.

The components of the numerator for the calculation of basic and diluted EPS are as follows:

(In US$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income attributable to the parent	149	286	3,822	2,422
Less: Allocation to participating securities	—	—	(5)	—
Net income available to shareholders	149	286	3,817	2,422
Effect of dilution	—	9	117	28
Diluted net income available to shareholders	149	295	3,934	2,450

The components of the denominator for the calculation of basic and diluted EPS are as follows:

(In US$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic earnings per share:				
Weighted average number of common shares outstanding	480	469	473	469
Diluted earnings per share:				
Weighted average number of common shares outstanding	480	469	473	469
Effect of dilutive share options	—	2	1	2
Effect of dilutive convertible bonds	—	21	19	21
Weighted average number of common shares outstanding adjusted for the effects of dilution	480	492	493	492

As the convertible bonds would have had an anti-dilutive effect on the quarter-to-date diluted EPS, they were excluded from the calculation.

Note 7 – Marketable securities

The historic cost of marketable securities is marked to market, with changes in fair value recognized in "other comprehensive income" ("OCI").

Marketable securities held by us include an investment in SapuraKencana Petroleum Bhd ("SapuraKencana") and the investment in common units in Seadrill Partners.

Marketable securities and changes in their carrying value are as follows:

(In US$ millions)	Petromena	SapuraKencana	Seadrill Partners' Common units	Total
Net book value at December 31, 2013	4	1,078	—	1,082
Marketable securities short-term	4	412	—	416
Marketable securities long-term	—	666	—	666
Net book value at December 31, 2013	4	1,078	—	1,082
Realization of marketable securities	6	—	—	6
Recognition of investment in Seadrill Partners - Common units	—	—	671	671
Proceeds on disposal of marketable securities	(10)	(297)	—	(307)
Purchase of common units in Seadrill Partners	—	—	150	150
Fair market value adjustments recognized in the statement of other comprehensive income for the period ended September 30, 2014	—	(141)	(1)	(142)
Net book value at September 30, 2014	—	640	820	1,460
Marketable securities short-term	—	58	820	878
Marketable securities long-term	—	582	—	582

<u>Petromena</u>
In February 2014 we received the final payment related to our investment in the 81.1% of the partially redeemed Petromena NOK 2,000 million bond ("Petromena") of $10 million. The residual $6 million after the investment was reduced has been recorded as a gain in "other financial items" in the consolidated statement of operations.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Seadrill Partners Common Units

Our holding of the voting common units of Seadrill Partners are accounted for as marketable securities on the basis that during the subordination period the common units have preferential dividend and liquidation rights, and therefore do not represent a 'in-substance common stock' interest as defined by US GAAP. These securities were recognized on January 2, 2014 at the quoted market price and are re-measured at fair value each reporting period. For more details on the deconsolidation of Seadrill Partners see Note 4.

In March 2014 and June 2014, the Company purchased additional common units in Seadrill Partners of 1,633,987 at $30.60 per unit and 3,183,700 at $31.41 per unit respectively. Our ownership interest in Seadrill Partners' common units is 28.6% as of September 30, 2014.

SapuraKencana

During the nine months ended September 30, 2014, the Company sold a portion of its investment in SapuraKencana in which proceeds of $297 million were received, net of transaction costs. As a result of the sale, a gain was recognized of $131 million, including amounts which had been previously recognized in other comprehensive income. The gain is included in the consolidated statement of operations. As a result of this transaction, our ownership interest in SapuraKencana's outstanding common shares is 8.18%.

Note 8 – Investment in associated companies

The Company has the following investments that are recorded using the equity method and cost method for the periods presented in these financial statements:

(In US$ millions)	September 30, 2014	December 31, 2013
Archer	7	8
Seabras Sapura Participacoes	13	12
Seabras Sapura Holdco	131	109
Itaunas Drilling	3	3
Camburi Drilling	4	4
Sahy Drilling	4	4
Seadrill Partners - Total direct ownership interests*	1,888	—
Seadrill Partners - Subordinated Units*	417	—
Seadrill Partners - Seadrill Member Interest and IDRs*	244	—
Total	2,711	140

*As of the deconsolidation date of Seadrill Partners on January 2, 2014, we have reflected the direct ownership interests in subsidiaries of Seadrill Partners, Seadrill Partners subordinated units, and the Seadrill Member Interest and Incentive Distribution Rights (IDRs) as associated companies at estimated fair value.

The Seadrill Partners - Seadrill Member Interest and IDR's are accounted for as cost-method investments on the basis that they do not represent common stock interests and their fair value is not readily determinable. The investments are held at cost and not subsequently re-measured. For more details on the deconsolidation of Seadrill Partners see Note 4.

Sale of 28% limited partner interest in Seadrill Operating LP

On July 21, 2014, the Company sold a 28% limited partner interest in Seadrill Operating LP, a subsidiary of Seadrill Partners, to Seadrill Partners LLC for cash consideration of $373 million. This resulted in a loss on sale of investment of $88 million, which has been recognized within share in results from associated companies in the Company's consolidated statement of operations. The Company will continue to account for its remaining 42% limited partner interest in Seadrill Operating LP under the equity method.

Note 9 - Disposal of subsidiary

On March 21, 2014, we completed the sale of the entities that own and operate the West Auriga (the "Auriga business"), to Seadrill Capricorn Holdings LLC, a consolidated subsidiary of Seadrill Partners LLC and 49% owned by the Company. The entities continue to be related parties subsequent to the sale.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The agreed purchase price consisted of an enterprise value of $1.24 billion, less debt assumed of $443 million. The total consideration of $797 million was comprised of cash of $697 million, and a discount note receivable of $100 million. The purchase price was subsequently adjusted by a working capital adjustment of $331 million arising from related party balances which remained with the disposed entities for the construction, equipping and mobilization of the West Auriga. The total recognized gain on sale of the Auriga business was $440 million, which has been presented in our consolidated statement of operations, under "gain on disposals" included within operating income.

(In US$ millions)	
Enterprise value	1,240
Less: Debt assumed	(443)
Purchase price	797
Less: Working capital adjustment	(331)
Adjusted purchase price	466
Cash	697
Discount note issued	100
Less: Working capital payable	(331)
Fair value of purchase consideration	466
Less: net carrying value of assets and liabilities	7
Less: allocated goodwill to subsidiaries	(33)
Gain on sale	440

Under the terms of various agreements between Seadrill and Seadrill Partners LLC entered into in connection with the initial public offering of Seadrill Partners LLC, Seadrill will continue provide management, technical and administrative services to Seadrill Partners and its subsidiaries. See further discussion in Note 18 for these services and agreements.

Note 10 – Newbuildings

(In US$ millions)	September 30, 2014	December 31, 2013
Opening balance	3,419	1,882
Additions	2,371	5,025
Transfers to drilling units	(1,738)	(3,335)
Reclassified as assets held for sale	(258)	—
Disposal of tender rigs	—	(153)
Closing balance	3,794	3,419

Note 11 – Drilling units

(In US$ millions)	September 30, 2014	December 31, 2013

Cost	17,508	19,967
Accumulated depreciation	(2,836)	(2,774)
Re-classified as assets held for sale	(740)	—
Net book value	13,932	17,193

Depreciation expense was $506 million and $505 million for the nine months, and $170 million and $156 million for the three months ended September 30, 2014 and 2013, respectively.

As of the deconsolidation date of Seadrill Partners on January 2, 2014, we have deconsolidated the entities that own and operate the following drilling units; West Sirius, West Aquarius, West Capella, West Capricorn, West Leo, T-15, T-16 and West Vencedor. For more details on the deconsolidation of Seadrill Partners see Note 4.
On March 21, 2014 we completed the sale of the entities that own and operate the West Auriga to Seadrill Partners. For more details on the sale of West Auriga see Note 9.

Note 12 – Goodwill

The goodwill balance and changes in the carrying amount of goodwill are as follows:

(In US$ millions)	September 30, 2014	December 31, 2013
Net book value at beginning of period	1,200	1,320
Disposals and deconsolidations	(273)	(120)
Re-classified as assets held for sale	(41)	—
Net book value at end of period	886	1,200

Of the $273 million derecognized through disposals and deconsolidations, $244 million related to the Floater segment and $29 million related to the Tender rig segment (2013: $120 million related to the Tender rig segment). The $41 million reclassified as assets held for sale relates to the Jack-up segment.

For more details on the deconsolidation of Seadrill Partners see Note 4, details on the disposal of subsidiary see Note 9, and details on Assets held for sale see Note 20.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 13 – Debt

(In US$ millions)	September 30, 2014	December 31, 2013
Credit facilities:		
$1,500 facility	—	706
$1,200 facility	—	733
$700 facility	88	490
$1,121 facility	—	72
$2,000 facility (North Atlantic Drilling)	1,408	1,503
$400 facility	290	320
$550 facility	—	440
$440 facility	275	293
$450 facility	428	450
$1,450 facility	876	1,390
$360 facility (Asia Offshore Drilling)	318	345
$300 facility	216	234