

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

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2016

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 1-5491



Rowan Companies plc

(Exact name of registrant as specified in its charter)

England and Wales
(State or other jurisdiction of incorporation or organization)

98-1023315
(I.R.S. Employer Identification No.)

2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056-6189
(Address of principal executive offices)

Registrant's telephone number, including area code: (713) 621-7800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A ordinary shares, \$0.125 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer
Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of common equity held by non-affiliates of the registrant was approximately \$2.2 billion as of June 30, 2016 , based upon the closing price of the registrant's ordinary shares on the New York Stock Exchange Composite Tape of \$17.66 per share.

The number of Class A ordinary shares, \$0.125 par value, outstanding at February 17, 2017 , was 125,495,703 , which excludes 2,479,014 shares held by an affiliated employee benefit trust.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K
Portions of the Proxy Statement for the 2017 Annual General Meeting of Shareholders	Part III, Items 10-14

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FORWARD-LOOKING STATEMENTS

Statements contained in this report, including in the documents incorporated by reference herein, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include words or phrases such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “could,” “may,” “might,” “should,” “will,” “forecast,” “potential,” “outlook,” “scheduled,” “predict,” “will be,” “will continue,” “will likely result,” and similar words and specifically include statements regarding expected financial and operating performance; dividend payments; share repurchases or repayment of debt; business strategies; expected utilization, day rates, revenues, operating expenses, contract terms, contract backlog and fleet status; benefits of our joint venture with Saudi Aramco; capital expenditures; tax rates and positions; impairments; insurance coverages; access to financing and funding sources, including borrowings under our credit facility; the availability, delivery, mobilization, contract commencement, relocation or other movement of rigs and the timing thereof; construction, enhancement, upgrade or repair and costs and timing thereof; the suitability of rigs for future contracts; general market, business and industry conditions, trends and outlook; rig demand; future operations; the impact of increasing regulatory requirements; divestiture of selected assets; expense management; the likely outcome of legal proceedings the impact of competition and consolidation in the industry; the timing of acquisitions, dispositions and other business transactions; customer financial position; and commodity prices. Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including:

- prices of oil and natural gas and industry expectations about future prices and impacts of regional or global financial or economic downturns;
- changes in the offshore drilling market, including fluctuations in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling units;
- variable levels of drilling activity and expenditures in the energy industry, whether as a result of actions by OPEC, global capital markets and liquidity, prices of oil and natural gas or otherwise, which may result in decreased demand and/or cause us to idle or stack, sell or scrap additional rigs;
- possible termination, suspension, renegotiation or cancellation of drilling contracts (with or without cause) as a result of general and industry economic conditions, distressed financial condition of our customers, *force majeure*, mechanical difficulties, delays, labor disturbances, strikes, performance or other reasons; payment or operational delays by our customers; or restructuring or insolvency of significant customers;
- changes or delays in actual contract commencement dates, contract option exercises, contract revenues and contract awards;
- our ability to enter into, and the terms of, future drilling contracts for drilling units whose contracts are expiring and drilling units currently idled or stacked;
- downtime, lost revenue and other risks associated with drilling operations, operating hazards, or rig relocations and transportation, including rig or equipment failure, collisions, damage and other unplanned repairs, the availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to weather conditions, work stoppages or otherwise, and the availability or high cost of insurance coverage for certain offshore perils or associated removal of wreckage or debris and other losses;
- regulatory, legislative or permitting requirements affecting drilling operations and other compliance obligations in the areas in which our rigs operate;
- tax matters, including our effective tax rates, tax positions, results of audits, tax disputes, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes;
- our ability to realize the expected benefits of our joint venture with Saudi Aramco, and increased risks of concentrated operations in the Middle East;
- access to spare parts, equipment and personnel to maintain, upgrade and service our fleet;
- potential cost overruns and other risks inherent to repair, inspections or upgrade of drilling units, unexpected delays in rig and equipment delivery and engineering or design issues, delays in acceptance by our customers, or delays in the dates our drilling units will enter a shipyard, be transported and delivered, enter service or return to service;

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- operating hazards, including environmental or other liabilities, risks, expenses or losses, whether related to well-control issues, collisions, groundings, blowouts, fires, explosions, weather or hurricane delays or damage, losses or liabilities (including wreckage or debris removal) or otherwise;
- our ability to retain highly skilled personnel on commercially reasonable terms, whether due to competition, cost cutting initiatives, labor regulations, unionization or otherwise; our ability to seek and receive visas for our personnel to work in our areas of operation in a timely manner;
- governmental action and political and economic uncertainties, including uncertainty or instability resulting from civil unrest, military or political demonstrations, acts of war, strikes, terrorism, piracy or outbreak or escalation of hostilities or other crises in areas in which we operate, which may result in expropriation, nationalization, confiscation or deprivation of assets, extended business interruptions, suspended operations, or suspension and/or termination of contracts and payment disputes based on *force majeure* events;
- cyber-breaches, outbreaks of any disease or epidemic and other related travel restrictions in any of our areas of operations;
- the outcome of legal proceedings, or other claims or contract disputes, including inability to collect receivables or resolve significant contractual or day rate disputes, any renegotiation, nullification, cancellation or breach of contracts with customers or other parties;
- potential for additional asset impairments;
- our liquidity, adequacy of cash flows to meet obligations, or our ability to access or obtain financing and other sources of capital, such as in the debt or equity capital markets;
- volatility in currency exchange rates and limitations on our ability to use or convert illiquid currencies;
- effects of accounting changes and adoption of accounting policies;
- potential unplanned expenditures and funding requirements, including investments in pension plans and other benefit plans;
- economic volatility and political, legal and tax uncertainties following the vote in the U.K. to exit the European Union (“Brexit”) and any subsequent referendum in Scotland to seek independence from the U.K.;
- other important factors described from time to time in the reports filed by us with the Securities and Exchange Commission and the New York Stock Exchange.

All forward-looking statements contained in this Form 10-K speak only as of the date of this document and are expressly qualified in their entirety by such factors. We undertake no obligation to update or revise publicly any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this Form 10-K, or to reflect the occurrence of unanticipated events, except as required by applicable law.

Other relevant factors are included in Item 1A, “Risk Factors,” of this Form 10-K.

PART I

ITEM 1. BUSINESS

Overview

Rowan Companies plc is a public limited company incorporated under the laws of England and Wales and listed on the New York Stock Exchange. The terms “Rowan,” “Rowan plc,” “Company,” “we,” “us” and “our” refer to Rowan plc and its consolidated subsidiaries, unless the context otherwise requires.

Rowan plc is a global provider of offshore contract drilling services to the international oil and gas industry, with a focus on high-specification and premium jack-up rigs and ultra-deepwater drillships. Our fleet currently consists of 29 mobile offshore drilling units, including 25 self-elevating jack-up rigs and four ultra-deepwater drillships. Our fleet operates worldwide, including the United States Gulf of Mexico (US GOM), the United Kingdom (U.K.) and Norwegian sectors of the North Sea, the Middle East and Trinidad.

As of February 14, 2017, the date of our most recent Fleet Status Report, two of our four drillships were under contract in the US GOM. Additionally, we had three jack-up rigs under contract in the North Sea, nine under contract in the Middle East, three under contract in Trinidad and two under contract in the US GOM. We had an additional six marketed jack-up rigs, two cold-stacked jack-up rigs and two marketed drillship without a contract.

We contract our drilling rigs, related equipment and work crews primarily on a “day rate” basis. Under day rate contracts, we generally receive a fixed amount per day for each day we are performing drilling or related services. In addition, our customers may pay all or a portion of the cost of moving our equipment and personnel to and from the well site. Contracts generally range in duration from one month to multiple years.

For information with respect to our revenues, operating income and assets by operating segment, and revenues and long-lived assets by geographic area, see Note 13 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Drilling Fleet

We believe our high-specification and premium jack-up fleet and ultra-deepwater drillships are well positioned to serve the worldwide market for high-pressure/high-temperature (HPHT) wells, including those in demanding locations. As of February 14, 2017, our drilling fleet consists of the following:

- Four ultra-deepwater drillships;
- Nineteen high-specification cantilever jack-up rigs; and
- Six premium cantilever jack-up rigs.

We use the term “high-specification” to describe jack-ups with a hook-load capacity of at least two million pounds and the term “premium” to denote independent-leg cantilever jack-ups that can operate in at least 300 feet of water in benign environments.

Ultra-Deepwater Drillships – Our ultra-deepwater drillships are self-propelled vessels equipped with computer-controlled dynamic-positioning systems, which allow them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships have greater variable loading capacity than semisubmersible rigs, enabling them to carry more supplies on board and, thus, making them better suited for drilling in deep water in remote locations. Our drillships are equipped with two drilling stations within a single derrick allowing the drillships to perform preparatory activities off-line and potentially simultaneous drilling tasks during certain stages of drilling, subject to legal restrictions in various jurisdictions, enabling increased drilling efficiency particularly during the initial stages of a well. In addition, our drillships are equipped to drill in 12,000-foot water depths, are equipped with 2,500,000 pound hook-load capability, and are capable of drilling HPHT wells to 40,000-foot depths. Each is equipped with two fully redundant blowout preventers, which significantly reduce non-productive time associated with repair and maintenance. In addition, each drillship is equipped with an active-heave crane for simultaneous deployment of subsea equipment. The sum total of these and other advanced features make the drillships very attractive to our customers.

High-Specification and Premium Jack-up Rigs – Our jack-ups are capable of drilling wells to maximum depths ranging from 25,000 to 40,000 feet and in maximum water depths ranging from 300 to 550 feet, depending on rig size, location and outfitting. All of our high-specification rigs are equipped with the high pressure circulation and pressure control equipment that are necessary for HPHT operations. Each of our jack-ups is designed with a hull that is fully equipped to serve as a drilling platform supported by three independently elevating legs. The rig is towed to the drilling site where the legs are lowered into and penetrate the ocean

floor, and the hull raises itself out of the water up to the elevation required to drill the well using a self-contained rack and pinion system.

Our three *N-Class* rigs are capable of drilling in water depths to 435 feet in harsh environments such as the North Sea depending on location and outfitting. The *N-Class* rigs, which were designed for operation in the highly regulated Norwegian sector of the North Sea, can be equipped to perform drilling and production operations simultaneously. Our first *N-Class* rig, the *Rowan Viking*, was delivered in 2010, and the *Rowan Stavanger* and *Rowan Norway* were delivered in 2011.

Our four *EXL* class rigs enable HPHT drilling in water depths up to 350 feet and are equipped with a hook-load capacity of two million pounds. The first three *EXL* class rigs were delivered in 2010, and the *Rowan EXL IV* was delivered in 2011.

Our three *240C* class rigs were designed for HPHT drilling in water depths up to 400 feet in benign environments and are equipped with a hook-load capacity of 2.5 million pounds. The *Rowan Mississippi* and the *Ralph Coffman* were added to the fleet in 2008 and 2009, respectively, and the *Joe Douglas* was added to the fleet in 2012.

Three of our four *Super Gorilla* class rigs were delivered during the period from 1998 to 2001 and can be equipped for simultaneous drilling and production operations. They can operate year-round in 400 feet of water in harsh environments such as the North Sea. The *Bob Palmer*, our fourth *Super Gorilla* class rig delivered in 2003, is an enhanced version of the *Super Gorilla* class jack-up designated a *Super Gorilla XL*. With 713 feet of leg, 139 feet more than the *Super Gorillas*, and 30 percent larger spud cans, the *Bob Palmer* can operate in water depths to 550 feet in normally benign environments like the US GOM and the Middle East or in water depths to 400 feet in hostile environments such as the North Sea.

Our four *Tarzan Class* rigs were delivered during the period from 2004 to 2008 and are specifically designed for deep-well, HPHT drilling in up to 300 feet of water in benign environments.

Our *Rowan Gorilla* class rig, the *Rowan Gorilla IV*, was designed in the mid 1980s as a heavier-duty class of jack-up rig and is capable of operating in water depths to 450 feet in benign environments.

In 2016, we sold two of our older rigs in our jack-up fleet, the *Rowan Gorilla II* in November and the *Rowan Gorilla III* in December. The units were sold under agreements that prohibit their future use as drilling units.

See Item 2, "Properties," for additional information regarding our fleet.

Our operations are subject to many uncertainties and hazards. See Item 1A, "Risk Factors," for additional information.

Joint Venture

On November 21, 2016, Rowan and the Saudi Arabian Oil Company ("Saudi Aramco"), through their subsidiaries, entered into a Shareholders' Agreement to create a 50/50 joint venture to own, manage and operate offshore drilling units in Saudi Arabia. The new entity is anticipated to commence operations in the second quarter of 2017.

At formation of the new company, each of Rowan and Saudi Aramco will contribute \$25 million to be used for working capital needs. The Asset Contribution and Transfer Agreements provide that at commencement of operations, Rowan will contribute three rigs and its local shore based operations, and Saudi Aramco will contribute two rigs and cash to maintain equal equity ownership in the new company. Rowan will then contribute two more rigs in late 2018 when those rigs complete their current contracts, and Saudi Aramco will make a matching cash contribution at that time. At the various asset contribution dates, excess cash is expected to be distributed in equal parts to the shareholders. Rigs contributed will receive contracts for an aggregate 15 years, renewed and re-priced every three years, provided that the rigs meet the technical and operational requirements of Saudi Aramco.

Rowan rigs in Saudi Arabia not selected for contribution will be managed by the new company until the end of their current contracts pursuant to a management services agreement that provides for a management fee equal to a percentage of revenue to cover overhead costs. After the management period ends, such rigs may be selected for contribution, lease, or they will be required to relocate outside of the Kingdom.

Each of Rowan and Saudi Aramco will be obligated to fund their portion of the purchase of up to 20 new build jack-up rigs ratably over 10 years. The first rig is expected to be delivered as early as 2021. The partners intend that the newbuild jack-up rigs will be financed out of available cash from operations and/or funds available from third party debt financing. Saudi Aramco as a customer will provide drilling contracts to support the new company in the acquisition of the new rigs. If cash from operations or financing is not available to fund the cost of the newbuild jack-up rig, each partner is obligated to contribute funds to purchase such rigs, up to a maximum amount of \$1.25 billion per partner in the aggregate for all 20 newbuild jack-up rigs.

Contracts

Our drilling contracts generally provide for a fixed amount of compensation per day (day rate), and are either “well-to-well,” “multiple-well” or “fixed-term” generally ranging from one month to several years. Well-to-well contracts are typically cancellable by either party upon completion of drilling. Fixed-term contracts usually contain a termination provision such that either party may terminate if drilling operations are suspended for extended periods as a result of events of *force majeure*. While many fixed-term contracts are for relatively short periods of three months or less, many others are for one or more years, and all can continue for periods longer than the original terms. Well-to-well contracts can be extended over multiple series of wells. Many drilling contracts contain renewal or extension provisions exercisable at the option of the customer at mutually agreeable rates. Many of our drilling contracts provide for separate lump-sum payments for rig mobilization and demobilization. We recognize lump-sum fees and related expenses over the primary contract term. We recognize reimbursement of certain costs as revenues and expenses at the time they are incurred. Our contracts for work generally provide for payment in United States (U.S.) dollars except for amounts required by applicable law to be paid in the local currency or amounts required to meet local expenses.

A number of factors affect our ability to obtain contracts at profitable rates within a given region. Such factors, which are discussed further under “Competition” and in “Risk Factors” include the global economic climate, the price of oil and gas which can affect our customers' drilling budgets, over- or under-supply of drilling units, location and availability of competitive equipment, the suitability of equipment for the project, comparative operating cost of the equipment, competence of drilling personnel and other competitive factors. Profitability may also depend on receiving adequate compensation for the cost of moving equipment to drilling locations.

During periods of weak demand and declining day rates, we have historically entered into contracts at lower rates in order to keep our rigs working. At times, however, market conditions have forced us to “warm-stack” rigs to reduce costs during extended periods between contracts. We currently have two ultra-deepwater drillships and five jack-ups warm stacked. We have also cold stacked certain of our idle older rigs to reduce cost further and have ultimately sold five such rigs over the last two years, the *Rowan Juneau*, *Rowan Alaska*, *Rowan Louisiana*, *Rowan Gorilla II* and *Rowan Gorilla III*. All but the *Rowan Louisiana* were sold under agreements that prohibit their future use as drilling units.

Our contract backlog was estimated to be approximately \$1.7 billion at February 14, 2017, down from approximately \$3.6 billion at January 20, 2016. Backlog at February 14, 2017 does not account for anticipated changes to the Middle East fleet due to the formation of the 50/50 joint venture with Saudi Aramco expected to commence operations in second quarter 2017. See “Joint Venture” above and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” in Part II, Item 7 of this Form 10-K for further information with respect to our backlog.

Competition

The contract drilling industry is highly competitive, and success in obtaining contracts involves many factors, including supply and demand for drilling units, price, rig capability, operating and safety performance, and reputation.

In the jack-up drilling market, we compete with numerous offshore drilling contractors that together have 458 marketed jack-up rigs worldwide as of February 14, 2017, with an additional 103 units that are under construction or on order. (We define marketed rigs as all rigs that are not cold-stacked.) We estimate that 69 delivered and marketed jack-ups, or 15 percent of the world’s marketed jack-up fleet, are high-specification, including Rowan’s 19 high-specification rigs. At February 14, 2017, there were 213 marketed floaters (drillships and semi-submersibles) worldwide, with an additional 48 units that are under construction or on order. We estimate that 100 of these floaters, or approximately 47 percent of the world’s marketed fleet, are capable of drilling in water depths of 10,000 feet or more, but only an estimated 32 floaters, or approximately 15 percent of the world’s marketed fleet, have 2,500,000 pound hook-load capability and are equipped with dual blow-out preventers, which are key specifications valued by our customers.

A significant contributing factor to the softness in the offshore drilling market has been the influx of 231 newbuild jack-ups and 158 newbuild floaters delivered since early 2006. The addition of newbuild units, combined with numerous rigs having rolled off contracts in past months, has continued to increase competition, putting additional downward pressure on day rates and utilization. Of the approximately 103 jack-up rigs under construction worldwide scheduled for delivery through 2020 (33% of the currently utilized jack-up fleet of approximately 310 rigs), approximately 50 are considered high-specification (72% of the delivered high-specification fleet). Currently, there are approximately 77 competitive newbuild jack-up rigs scheduled for delivery during 2017, and only five have contracts. For the floater market there are approximately 48 floaters under construction worldwide for delivery through 2020 (32% of the currently utilized floater fleet of approximately 149 rigs). Following the negotiated delivery delays on several units into future years, there are approximately 30 competitive newbuild floaters scheduled for delivery during 2017, with 11 having contracts.

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Based on the number of rigs as tabulated by IHS-Petrodata, we are the seventh largest offshore drilling contractor in the world and the fifth largest jack-up rig operator. Based on market capitalization, we are the fourth largest publically traded pure play offshore driller. Some of our competitors have greater financial and other resources and may be more able to make technological improvements to existing equipment or replace equipment that becomes obsolete. In addition, those contractors with larger and more diversified drilling fleets may be better positioned to withstand unfavorable market conditions.

We market our drilling services to present and potential customers, including large international energy companies, smaller independent energy companies and foreign government-owned or government-controlled energy companies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Form 10-K for a discussion of current and anticipated industry conditions and their impact on our operations.

Governmental Regulation

Many aspects of our operations are subject to governmental regulation, including those relating to environmental protection and pollution control. In addition, governmental regulations concerning licensing and permitting, equipment specifications, training requirements or other matters could increase the costs of our operations and could reduce exploration activity in the areas in which we operate.

We could become liable for damages resulting from pollution which could materially affect our financial position, operations and liquidity. Generally we are indemnified under our drilling contracts for pollution, well damage and environmental damage, except in certain cases of pollution emanating above the surface from our drilling rigs. This indemnity includes costs associated with regaining control of a wild well, removal and disposal of pollutants, environmental remediation and claims by third parties for damages. However, such contractual indemnification provisions may not adequately protect us for several reasons such as (i) the contractual indemnity provisions may require us to assume some of the liability; (ii) our customers may not have the financial resources necessary to honor the contractual indemnity provisions; or (iii) the contractual indemnity provisions may be unenforceable under applicable law.

Our customers often require us to assume responsibility for pollution damages when we are at fault. We seek to limit our liability exposure to a non-material amount, or an amount within the limits of our available insurance coverage. For example, a contract may provide that we will assume the first \$5 million of costs related to an incident resulting in wellbore pollution due to our negligence, with the customer assuming responsibility for all costs in excess of \$5 million. We can provide no assurance that we will be able to negotiate indemnities and/or limitation of liability provisions or that such indemnification and/or limitation of liability provisions can be enforced or will be sufficient. Our customers may challenge the validity or enforceability of the indemnity provision for several reasons, including but not limited to applicable law, judicial decisions, the language of the indemnity provision, reasons of public policy, degree of fault and/or the circumstances resulting in the pollution.

In the event of an incident resulting in wellbore pollution where we are liable for all or a portion of such event, the impact on our financial position, operations and liquidity would depend on the scope of the incident. In this instance, we would seek to enforce our legal rights, including the enforcement of the indemnity obligation and redress from all parties at fault. In addition, we maintain limited insurance for liability related to negative environmental impacts of a sudden and accidental pollution event, as described below. Such an event would adversely affect our results of operations, financial position and cash flows if both insurance and indemnity protection were unavailable or insufficient and the incident was significant.

The U.S., U.K. and other other jurisdictions in which we operate have various regulations and requirements with which we must comply. For example, pursuant to the Clean Water Act, a National Pollutant Discharge Elimination Permit (NPDES permit) is required for discharges into the US GOM. The permit holder is the designated responsible party for any environmental impacts that occur in the event of the discharge of any unpermitted substance, including a fuel spill or oil leak from an offshore installation such as a mobile drilling unit. We operate in accordance with NPDES permit standards regardless of the holder.

Pursuant to the U.K. Offshore Directive, we are required to have an approved Oil Pollution Emergency Plan (OPEP) for each drilling unit operating in U.K. waters. The Offshore Directive also specifies additional regulations related to safety, licensing, environmental protection, emergency response and liability with which we comply.

Additionally, pursuant to the International Maritime Organization (IMO), we are required to have a Shipboard Oil Pollution Emergency Plan (SOPEP) for each of our drilling units. Our SOPEP establishes detailed procedures for rapid and effective response to spill events that may occur as a result of our operations or those of the operator. This plan is reviewed annually and updated as necessary. Onboard drills are conducted periodically to maintain effectiveness of the plan, and each rig is outfitted with equipment to respond to minor spills. For operations in the U.S., our SOPEPs are subject to review and approval by various organizations including the United States Coast Guard, the EPA and the Bureau of Safety and Environmental Enforcement (BSEE), and are recertified every five years by the American Bureau of Shipping, a Recognized Organization under the IMO.

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As the designated responsible party, an operator has the primary responsibility for spill response, including having contractual arrangements in place with emergency spill response organizations to supplement any onboard spill response equipment. Pursuant to our SOPEPs, we have certain resources and supplies onboard our drilling units to mitigate the impact of an incident until an emergency spill response organization can deploy its resources. However, we also have an agreement with an emergency spill response organization should we have an incident that exceeds the scope of our onboard spill response equipment. Our primary spill response provider in the U.S. has been in business since 1994 and specializes in helping industries prevent and clean up oil and other hydrocarbon spills. Our provider has represented it holds all necessary licenses, certifications and permits to respond to environmental emergencies in the US GOM and maintains contacts with other response resources and organizations outside the US GOM. We believe we have adequate equipment and third-party resources available to us to respond to an emergency spill; however, we can provide no assurance that adequate resources will be available.

We are actively involved in various industry-led initiatives and work groups, including but not limited to those of the American Petroleum Institute, the International Association of Drilling Contractors, the Ocean Energy Safety Institute, and the British Rig Owners Association, which are intended to improve safety and protection of the environment.

Oil and gas operations in the US GOM and in many of the other jurisdictions in which we operate are subject to regulation with respect to well design, casing and cementing and well control procedures, as well as rules requiring operators to systematically identify risks and establish safeguards against those risks through a comprehensive safety and environmental management system, or SEMS. Any serious oil and gas industry related event heightens governmental and environmental concerns and may lead to legislative proposals being introduced which may materially limit or prohibit offshore drilling in certain areas. New regulations continue to be implemented, including rules regarding drilling systems and equipment, such as blowout preventer and well-control systems and lifesaving systems, as well as rules regarding employee training, engaging personnel in safety management and requiring third-party audits of SEMS programs.

On July 28, 2016, BSEE published a final rule, Oil and Gas and Sulfur Operations in the Outer Continental Shelf-Blowout Preventer Systems and Well Control to implement recommendations of the Deepwater Horizon Commission. The new regulations took effect on July 28, 2016, with a number of requirements to be phased in over several years.

Regulatory compliance has and may continue to materially impact our capital expenditures and earnings, particularly in the event of an environmental incident. Given the state-of-the-art design of our drillships and high specification of our jack-up fleet, we believe we are well positioned competitively to our peers to be able to comply with current and future governmental regulations.

Insurance

We maintain insurance coverage for damage to our drilling rigs, third-party liability, workers' compensation and employers' liability, sudden and accidental pollution and other types of loss or damage. Our insurance coverage is subject to deductibles and self-insured retentions which must be met prior to any recovery. Additionally, our insurance is subject to exclusions and limitations, and we can provide no assurance that such coverage will adequately protect us against liability from all potential consequences and damages.

Our current insurance policies provide coverage for loss or damage to our fleet of drilling rigs on an agreed value basis (which varies by unit) subject to a deductible of either \$25 million or \$15 million per occurrence, depending on the unit's geographic location. This coverage does not include damage to our rigs arising from a US GOM named windstorm, for which we are self-insured.

We maintain insurance policies providing limited coverage for liability associated with negative environmental impacts of a sudden and accidental pollution event, third-party liability, employers' liability (including Jones Act liability) and automobile liability, and these policies are subject to various exclusions, deductibles and underlying limits. In addition, we maintain excess liability coverage with an annual aggregate limit of \$700 million subject to a self-insured retention of \$10 million except for liabilities (including removal of wreck) arising out of a US GOM named windstorm, which are subject to a self-insured retention of \$200 million.

Our rig physical damage and liability insurance renews each June. We can provide no assurance we will be able to secure coverage of a similar nature with similar limits at comparable costs.

Employees

At December 31, 2016, we had 2,917 employees worldwide, compared to 3,496 and 4,051 at December 31, 2015 and 2014, respectively, and 264 independent contractors. Certain of our employees and contractors in international markets, such as Trinidad and Norway, are represented by labor unions and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. We consider relations with our employees to be satisfactory.

Customers

In 2016, Saudi Aramco, Freeport-McMoRan, Cobalt International, Repsol and ConocoPhillips accounted for 20%, 12%, 12%, 12% and 11%, respectively, of consolidated revenues. Saudi Aramco and ConocoPhillips revenue was derived from our jack-up segment, and Repsol and Cobalt International revenue, as well as nearly all of Freeport-McMoRan revenue, was derived from our deepwater segment.

Reports filed with or furnished to the SEC

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) are made available free of charge on our website at www.rowan.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on or accessible from our website is not incorporated by reference into this Form 10-K and should not be considered a part of this report or any other filing that we make with the SEC.

ITEM 1A. RISK FACTORS

There are numerous factors that affect our business and operating results, many of which are beyond our control. The following is a description of significant factors that might cause our future operating results to differ materially from those currently expected. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not specified herein, not currently known to us or currently deemed to be immaterial also may materially adversely affect our business, financial position, operating results and/or cash flows.

Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by declines in oil or gas prices and reduced demand for oil and gas products.

Our business depends heavily on a variety of economic and political factors and the level of oil and gas activity worldwide. Sustained declines in oil or natural gas prices, combined with market expectations of a prolonged weakened global market, have caused oil and gas companies to significantly reduce their exploration, development and production activities, thereby decreasing demand for offshore drilling services and leading to lower rig utilization and day rates for our services. Oil and natural gas prices have historically been very volatile, and our drilling operations have in the past suffered through long periods of weak market conditions.

Demand for our drilling services depends on many factors beyond our control, including:

- worldwide demand for and prices of oil and natural gas, and expectations regarding future energy prices;
- the supply of drilling units in the worldwide fleet versus demand;
- the level of exploration and development expenditures by energy companies and their ability to raise capital;
- the willingness and ability of the Organization of Petroleum Exporting Countries (OPEC) to limit production levels and influence prices;
- the level of production in non-OPEC countries;
- the effect of economic sanctions that affect the energy industry;
- the general economy, including inflation and changes in the rate of economic growth;
- the condition of global capital markets;
- adverse sea, weather and climate conditions in our principal operating areas, including possible disruption of exploration and development activities due to loop currents, hurricanes and other severe sea and weather conditions;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- environmental and other laws and regulations;
- policies of various governments regarding exploration and development of oil and natural gas reserves;
- nationalization of assets or workforce and/or confiscation of assets;
- worldwide tax policies and treaties;
- political and military conflicts in oil-producing areas and the effects of terrorism;

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- increased supply of oil and gas from onshore development and relative cost of offshore drilling versus onshore oil and gas production;
- the development and exploitation of alternative fuels and energy sources, and
- merger, divestiture, restructuring and consolidation of our customers and competitors and their assets.

Adverse developments affecting the industry as a result of one or more of these factors, including any further decline in oil or gas prices or the failure of oil or gas prices to increase, a global recession, continued declines in demand for oil and gas products, increased oversupply of drilling units, and increased regulation of drilling and production, would adversely affect our business, financial condition and results of operations.

The success of our business is dependent upon our ability to secure contracts for our drilling units at sufficient day rates. Depressed oil and gas prices and an oversupply of drilling units have led to further reductions in rig utilization and day rates, which may materially impact our profitability.

Our ability to meet our cash flow obligations depends on our ability to secure ongoing work for our drilling units at sufficient day rates. As of February 14, 2017, we had eight jack-up drilling units without contracts (including two cold-stacked); ten with contract terms ending in 2017; six with contract terms ending in 2018; and one with a contract term ending in 2024; and two of our four drillships without contracts; one of our drillships has a contract ending in 2017 and the other contract ends in early 2018. Given current market conditions future demand for offshore drilling units and day rates may continue to remain at low levels, possibly for an extended period of time. Failure to secure profitable contracts for our drilling units could negatively impact our operating results and financial position, impair our ability to generate sufficient cash flow to fund our capital expenditures and/or meet our other obligations.

Prior to the downturn in the drilling sector, the industry experienced a significant increase in construction activity. The resulting increase in supply of newbuild drilling units, combined with the decrease in demand for offshore drilling services, has led to an oversupply of drilling units and further declines in utilization and day rates that is expected to continue for some time. According to industry sources, there were 458 marketed jack-up rigs worldwide as of February 14, 2017, an additional 103 units that are under construction or on order and 213 marketed floaters (drillships and semi-submersible) worldwide, with an additional 48 units that are under construction or on order. (We define marketed rigs as all rigs that are not cold-stacked.) A continued decline in utilization and day rates would further impact our revenues and profitability.

A further decline in the market for contract drilling services could result in additional asset impairment charges.

We recognized asset impairment charges on our jack-up drilling units aggregating approximately \$566 million in 2014, \$330 million in 2015 and \$34 million in 2016, or approximately 7%, 4% and 0.5%, respectively, of our fixed asset carrying values. Prolonged periods of low utilization and day rates, the cold-stacking of idle assets, or the sale of assets below their then carrying value could result in the recognition of additional impairment charges on our drilling units if future cash flow estimates, based upon information available to management at the time, indicate that their carrying value may not be recoverable. See “Impairment of Long-lived Assets” in Note 2 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for additional information.

We are subject to operating risks that could result in environmental damage, property loss, personal injury, death, business interruptions and other losses.

Our drilling operations are subject to many operational hazards such as blowouts, explosions, fires, collisions, punch-throughs (i.e., when one leg of a jack-up rig breaks through the hard crust of the ocean floor, placing stress on the other legs), mechanical or technological failures, navigation errors, or equipment defects that could increase the likelihood of accidents. Accidents can result in:

- serious damage to or destruction of property and equipment;
- personal injury or death;
- costly delays or cancellations of drilling operations;
- interruption or cessation of day rate revenue;
- uncompensated downtime;
- reduced day rates;
- significant impairment of producing wells, leased properties, pipelines or underground geological formations;

- damage to fisheries and pollution of the marine and coastal environment; and
- fines and penalties.

Our drilling operations are also subject to marine hazards, whether at drilling sites or while equipment is under tow, such as a vessel capsizing, sinking, colliding or grounding. In addition, raising and lowering jack-up rigs and drilling into high-pressure formations are complex, hazardous activities, and we periodically encounter problems. Any ongoing change in weather or sea patterns or climate conditions could increase the adverse impact of marine hazards.

In past years, we have experienced some of the types of incidents described above, including punch-throughs and towing accidents resulting in lost or damaged equipment and high-pressure drilling accidents resulting in lost or damaged formations. Any future such events could result in operating losses and have a significant impact on our business.

The global nature of our operations involves additional risks, particularly in certain foreign jurisdictions.

Our operations are significantly diversified internationally. Foreign operations are often subject to additional political, economic and other uncertainties, such as with respect to taxation policies, customs restrictions, local content requirements, regulatory requirements, currency convertibility and repatriation, security threats including terrorism, piracy, and the risk of asset expropriation. Political unrest and regulatory restrictions could halt operations or impact us in other unforeseen ways.

Many countries have regulations or policies requiring or rewarding the participation of local companies and individuals in the petroleum-related activities. Such participation requirements can include, without limitation, the ownership of oil and gas concessions, the hiring of local agents and partners, the procurement of goods and services from local sources, and the employment of local workers. The requirements can also include co-ownership of our drilling units, in whole or in part, by home country companies or citizens and /or require reflagging of our drilling units under the flag of the home country. The governments of many of these foreign countries have become increasingly active in requiring higher levels of local participation which may increase our costs and risks of operating in these regions, thereby limiting our ability to enter into, relocate from, or compete in these regions.

In addition, our inability to obtain visas and work permits for our employees in foreign jurisdictions on a timely basis could delay or interrupt our operations resulting in an adverse impact on our business. Further, governmental restrictions in some jurisdictions may make it difficult for us to move our personnel, assets and operations in and out of these regions without delays or downtime.

In foreign areas where legal protections may be less available to us, we assume greater risk that our customer may terminate contracts without cause on short notice, contractually or by governmental action. Additionally, operations in certain areas, such as the North Sea and US GOM, are highly regulated and have higher compliance and operating costs in general.

Although we are a U.K. company, a significant majority of our revenues and expenses are transacted in U.S. dollars, which is our functional currency. However, in certain countries in which we operate, local laws or contracts may require us to receive some portion of payment in the local currency. We are exposed to foreign currency exchange risk to the extent the amount of our monetary assets denominated in the foreign currency differs from our obligations in that foreign currency. In order to mitigate the effect of exchange rate risk, we attempt to limit foreign currency holdings to the extent they are needed to pay liabilities denominated in the foreign currency. At December 31, 2016, we held Egyptian pounds in the amount of \$ 5.1 million . We ceased drilling operations in Egypt in 2014, and are currently working to obtain access to the funds for use outside Egypt to the extent they are not utilized; however, we can provide no assurance we will be able to convert or utilize such funds in the future.

The offshore drilling industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is a highly competitive and cyclical business characterized by numerous competitors, high capital and operating costs and evolving capability of newer rigs. Drilling contracts are often awarded on a competitive-bid basis, and intense price competition, rig availability, location and suitability, experience of the workforce, efficiency, safety performance record, technical capability and condition of equipment, operating integrity, reputation, industry standing and client relations are all factors in determining which contractor is awarded a contract. Our future success and profitability will partly depend upon our ability to keep pace with our customers' demands with respect to these factors.

In addition to intense competition, our industry has historically been cyclical. The contract drilling industry is currently in a period of low demand for offshore drilling services, excess rig supply, a prolonged period of declining oil and gas prices and reduced worldwide drilling activity. These conditions have intensified the competition in the industry and put significant downward pressure on day rates. As a result, we may be unable to secure profitable contracts for our drilling units, we may have to contract our rigs at substantially lower rates for long periods of time, enter into nontraditional fee arrangements, or idle or cold-stack some of our drilling units, all of which would adversely affect our operating results, cash flows and financial position.

We may experience reduced profitability if our customers terminate or seek to renegotiate our drilling contracts, and our backlog of drilling revenue may not be fully realized.

We may be subject to the increased risk of our customers seeking to terminate or renegotiate their contracts. Our customers' ability to perform their obligations under drilling contracts with us may also be adversely affected by their own financial position, restricted credit markets and the current industry downturn. If our customers cancel or are unable to renew some of their contracts and we are unable to secure new contracts on a timely basis and on substantially similar terms, if contracts are disputed or suspended for an extended period of time, or if a number of our contracts are renegotiated, such events would adversely affect our business, financial condition and results of operations.

Most of our term drilling contracts may be canceled by the customer without penalty upon the occurrence of events beyond our control such as the loss or destruction of the drilling unit, or the suspension of drilling operations for a specified period of time as a result of a breakdown of major equipment. While most of our contracts require the customer to pay a termination fee in the event of an early cancellation without cause, early termination payments may not fully compensate us for the loss of the contract, and could result in the drilling unit becoming idle or cold-stacked for an extended period of time. If we or our customers are unable to perform under existing contracts for any reason or replace terminated contracts with new contracts having less favorable terms, our backlog of estimated revenues would decline, adversely affecting our financial results.

We must make substantial capital and operating expenditures to maintain, and upgrade our drilling fleet.

Our business is highly capital intensive and dependent on having sufficient cash flow and or available sources of financing in order to fund capital expenditure requirements. We can provide no assurance that we will have access to adequate or economical sources of capital to fund necessary capital expenditures.

We have and will likely continue to have certain customer concentrations, and the loss of a significant customer would adversely impact our financial results.

A concentration of customers increases the risks associated with any possible (i) termination or nonperformance of drilling contracts, (ii) failure to renew contracts or award new contracts, or (iii) reduction of our customers' drilling programs. In 2016, five customers accounted for 67% of our consolidated revenues. The loss or material reduction of business from a significant customer would have an adverse impact on our results of operations and cash flows. Moreover, our drilling contracts subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control such as the overall financial condition of the counterparty. Should a significant counterparty fail to honor its obligations under an agreement with us, we could sustain losses, which could have a material adverse effect on our business, financial condition and results of operations.

If we or our customers are unable to acquire or renew permits and approvals required for drilling operations, we may be forced to suspend or cease our operations, and our profitability may be reduced.

Crude oil and natural gas exploration and production operations require numerous permits and approvals for us and our customers from governmental agencies in the areas in which we operate. In addition, many governmental agencies have increased regulatory oversight and permitting requirements in recent years. If we or our customers are not able to obtain necessary permits and approvals in a timely manner, our operations will be adversely affected. Obtaining all necessary permits and approvals may necessitate substantial expenditures to comply with the requirements of these permits and approvals, future changes to these permits or approvals, or any adverse change in the interpretation of existing permits and approvals. In addition, such regulatory requirements and restrictions could also delay or curtail our operations, require us to make substantial expenditures to meet compliance requirements, and could have a significant impact on our financial condition or results of operations and may create a risk of expensive delays or loss of value if a project is unable to function as planned.

For example, the Bureau of Ocean Energy Management and the BSEE, have implemented significant environmental and safety regulations applicable to drilling operations in the US GOM. These regulations have at times adversely impacted the ability of our customers to obtain necessary permits and approval on a timely basis and/or to continue operations uninterrupted under existing permits.

We may not realize the expected benefits of our joint venture with Saudi Aramco and the joint venture may introduce additional risks to our business.

In November 2016, Rowan and Saudi Aramco announced plans to form a 50/50 joint venture with Rowan and Saudi Aramco each contributing existing drilling units and capital as the foundation of the new company. The new venture is anticipated to commence operations in the second quarter of 2017, subject to regulatory approvals and start-up efforts, and is expected to add up to 20 newbuild jack-up rigs to its fleet over ten years commencing as early as 2021. There can be no assurance that this venture will

commence operations on schedule, that the new jack-up rigs will begin operations as anticipated or that we will realize the expected return on our investment. We may also experience difficulty jointly managing the venture, and integrating our existing employees, business systems, technologies and services with those of Saudi Aramco in order to operate the joint venture efficiently. Further, in the event the new company has insufficient cash from operations or is unable to obtain third party financing, we may periodically be required to make additional capital contributions to the new company, up to a maximum aggregate contribution of \$1.25 billion, which could affect our liquidity position. As a result of these risks, it may take longer than expected for us to realize the expected returns from this venture or such returns may ultimately be less than anticipated. Additionally, if we are unable to make any required contributions, our ownership in the new company could be diluted which could hinder our ability to effectively manage the new company and harm our operating results or financial condition.

Increases in regulatory requirements could significantly increase our costs or delay our operations.

Many aspects of our operations are subject to governmental regulation, including equipping and operating vessels, drilling practices and methods, and taxation. For example, operations in certain areas, such as the US GOM and the North Sea, are highly regulated and have higher compliance and operating costs in general. We may be required to make significant expenditures in order to comply with existing or new governmental laws and regulations. It is also possible that such laws and regulations may in the future add significantly to our operating costs or result in a reduction of revenues associated with downtime required to implement regulatory requirements.

Oil and gas operations in the US GOM and in many of the international locations in which we operate are subject to regulation with respect to well design, casing and cementing and well control procedures, as well as rules requiring operators to systematically identify risks and establish safeguards against those risks through a comprehensive safety and environmental management system, or SEMS. New regulations continue to be implemented, including rules regarding drilling systems and equipment, such as blowout preventer and well-control systems and lifesaving systems, as well as rules regarding employee training, engaging personnel in safety management and requiring third-party audits of SEMS programs. Such new regulations may require modifications or enhancements to existing systems and equipment, or require new equipment, and could increase our operating costs and cause downtime for our units if we are required to take any of them out of service between scheduled surveys or inspections, or if we are required to extend scheduled surveys or inspections to meet any such new requirements. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of our operations and could reduce exploration activity in the areas in which we operate.

Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas, and other aspects of the oil and gas industry. These governmental regulations may limit or substantially increase the cost of drilling activity in an operating area generally. The modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas for economic, environmental or other reasons could materially and adversely affect our operations by limiting drilling opportunities. In addition, the offshore drilling industry is highly dependent on demand for services from the oil and gas industry and accordingly, regulations of the production and transportation of oil and gas generally could impact demand for our services.

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Governments around the world are increasingly focused on enacting laws and regulations regarding climate change and regulation of greenhouse gases. Lawmakers and regulators in the U.S., the U.K. and other jurisdictions where we operate have proposed or enacted regulations requiring reporting of greenhouse gas emissions and the restriction thereof. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues and impose reductions of hydrocarbon-based fuels. Laws or regulations incentivizing or mandating the use of alternative energy sources such as wind power and solar energy have also been enacted in certain jurisdictions. Laws, regulations, treaties and international agreements related to greenhouse gases and climate change may unfavorably impact our business, our suppliers and our customers, and result in increased compliance costs, operating restrictions and could reduce drilling in the offshore oil and gas industry, all of which would have a negative impact on our business.

Our drilling units are subject to damage or destruction by severe weather, and our drilling operations may be affected by severe weather conditions.

Our drilling rigs are located in areas that frequently experience hurricanes and other forms of severe weather conditions. These conditions can cause damage or destruction to our drilling units. Further, high winds and turbulent seas can cause us to suspend operations on drilling units for significant periods of time. Even if our drilling units are not damaged or lost due to severe weather, we may experience disruptions in our operations due to evacuations, reduced ability to transport personnel to the drilling unit, or damage to our customers' platforms and other related facilities. Additionally, our customers may not choose to contract our rigs for use during hurricane season, particularly in the US GOM. Future severe weather could result in the loss or damage to our rigs or curtailment of our operations, which could adversely affect our financial position, results of operations and cash flows.

Taxing authorities may challenge our tax positions, and we may not be able to realize expected benefits.

We are subject to tax laws, regulations and treaties in many jurisdictions. Changes to these laws or interpretations could affect the taxes we pay in various jurisdictions. Our tax positions are subject to audit by relevant tax authorities who may disagree with our interpretations or assessments of the effects of tax laws, treaties, or regulations, or their applicability to our corporate structure or certain of our transactions we have undertaken. We could therefore incur material amounts of unrecorded income tax cost if our positions are challenged and we are unsuccessful in defending them.

Changes in or non-compliance with tax laws and changes to our income tax estimates could adversely impact our financial results.

In 2012, we changed our legal domicile to the U.K. There are legislative proposals in the U.S. that attempt to treat companies that have undertaken similar transactions as U.S. corporations subject to U.S. taxes or to limit the tax deductions or tax credits available to U.S. subsidiaries of these corporations. The realization of the expected tax benefits of our redomestication could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof or differing interpretation or enforcement of applicable law by the IRS or other tax authorities. Changes in our effective tax rates as determined from time to time, the inability to realize anticipated tax benefits, or the imposition of additional taxes could have a material impact on our results of operations, financial position and cash flows. Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets and liabilities, the ultimate repatriation of earnings from the non-U.S. subsidiaries of Rowan Companies Inc. (RCI), a wholly owned, indirect subsidiary of the Company, to RCI, or by changes in applicable regulations and accounting principles.

Changes in our recorded tax estimates (including estimated reserves for uncertain tax positions) may have a material impact on our results of operations, financial position and cash flows. We do not provide for deferred income taxes on undistributed earnings of non-U.K. subsidiaries, except for certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future. It is generally our policy and intention to permanently reinvest earnings of non-U.S. subsidiaries of RCI outside the U.S. Should the non-U.S. subsidiaries of RCI make a distribution from these earnings, we may be subject to additional income taxes.

Political disturbances, war, or terrorist attacks and changes in global trade policies and economic sanctions could adversely impact our operations.

Our operations are subject to political and economic risks and uncertainties, including instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas, which may result in extended business interruptions, suspended operations and danger to our employees, or result in claims by our customers of a *force majeure* situation and payment disputes. Additionally, we are subject to risks of terrorism, piracy, political instability, hostilities, expropriation, confiscation or deprivation of our assets or military action impacting our operations, assets or financial performance in many of our areas of operations.

Operating and maintenance costs of our drilling units may be significant, and could have an adverse effect on the profitability of our contracts. In addition, operational interruptions or maintenance or repair work may cause our customers to suspend or reduce payment of day rates until operation is resumed, which may lead to loss of revenue or termination or renegotiation of the drilling contract.

Most of our drilling contracts provide for the payment of a fixed day rate during periods of operation and reduced day rates during periods of other activities. Given current market conditions, we may not be able to negotiate day rates sufficient to cover increased or unanticipated costs. Our operating expenses and maintenance costs can be unpredictable, and depend on a variety of factors including: crew costs, costs of provisions, equipment, insurance, maintenance and repairs, customer and regulatory requirements, and shipyard costs, many of which are beyond our control. Our profit margins may therefore vary over the terms of our contracts, which could adversely affect our financial position, results of operations and cash flows.

Our customers may be entitled to pay a waiting, or standby, rate lower than the full operational day rate if a drilling unit is idle for reasons that are not related to the ability of the rig to operate. In addition, if a drilling unit is taken out of service for maintenance and repair for a period of time exceeding the scheduled maintenance periods set forth in the drilling contract, we may not be entitled to payment of day rates until the unit is able to work. If the interruption of operations were to exceed a determined period, our customers may have the right to pay a rate that is significantly lower than the waiting rate for a period of time, and, thereafter, may terminate the drilling contracts related to the subject rig. Suspension of drilling contract payments, prolonged payment of reduced rates or termination of any drilling contract as a result of an interruption of operations could materially adversely affect our business, financial condition and results of operations.

Our rig operating and maintenance costs include fixed costs that will not decline in proportion to decreases in rig utilization and day rates.

We do not expect our rig operating and maintenance costs to decline proportionately when rigs are not in service or when day rates decline. Fixed costs continue to accrue during out-of-service periods (such as shipyard stays and rig mobilizations preceding a contract), which represented approximately 4.5% of our available rig days in 2016. Operating revenue may fluctuate as rigs are recontracted at prevailing market rates upon termination of a contract, but costs for operating a rig are generally fixed or only slightly variable regardless of the day rate being earned. Additionally, if our rigs are idle between contracts, we typically continue to incur operating and personnel costs because the crew is retained to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as some crew members may be required to assist in the rig's removal from service. Moreover, as our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs may increase significantly.

We may have difficulty obtaining or maintaining insurance in the future, and some of our losses may not be covered by insurance.

We maintain insurance coverage for damage to our drilling rigs, third-party liability, workers' compensation and employers' liability, sudden and accidental pollution, and other types of loss or damage. There are some losses, however, for which insurance may not be available or only available at much higher prices. For example, we do not currently maintain named windstorm physical damage coverage on any of our drilling units located in the US GOM.

We can provide no assurance that our insurance coverage will adequately protect us against liability from potential consequences and damages, or that we will be able to maintain adequate insurance in the future. A significant event which is not adequately covered by insurance and /or the failure of one or more of our insurance providers to meet claim obligations or losses or liabilities resulting from uninsured or underinsured events could adversely affect our financial position, results of operations and cash flows.

Our contractual indemnification provisions may not be sufficient to cover our liabilities.

Our drilling contracts provide for varying levels of indemnification and allocation of liabilities between the parties with respect to liabilities resulting from various hazards associated with the drilling industry, such as loss of well control, well-bore pollution and damage to subsurface reservoirs and injury or death to personnel. The degree of indemnification we may receive from operators varies from contract to contract based on market conditions and customer requirements existing when the contract was negotiated and recovery is dependent on the customer's financial condition. Our drilling contracts generally indemnify us for injuries and death of our customers' employees and loss or damage to our customers' property. Our service agreements generally indemnify us for injuries and death of our service providers' employees. However, the enforceability of our indemnities may be subject to differing interpretations, or further limited or prohibited under applicable law or by contract, particularly in cases of gross negligence, willful misconduct, punitive damages or punitive fines and/or penalties. The failure of a customer to meet its indemnification obligations, or losses or liabilities resulting from events excluded from or unenforceable under contractual indemnification obligations would adversely affect our financial position, results of operations and cash flows.

Our information technology systems are subject to cybersecurity risks and threats.

We depend heavily on technologies, systems and networks that we manage, and others that are managed by our third-party service and equipment providers or customers, to conduct our business and operations. Cybersecurity risks and threats to such systems continue to grow and may be difficult to anticipate, prevent, identify or mitigate. If any of our, our service providers' or our customers' security systems prove to be insufficient, we could be adversely affected by having our business and financial systems compromised, our companies', employees', vendors' or customers' confidential or proprietary information altered, lost or stolen, or our (or our customers') business operations or safety procedures disrupted, degraded or damaged. A breach or failure could also result in injury (financial or otherwise) to people, loss of control of, or damage to, our (or our customers') assets, harm to the environment, reputational damage, breaches of laws or regulations, litigation and other legal liabilities. In addition, we may incur significant costs to prevent, respond to or mitigate cybersecurity risks or events and to defend against any investigations, litigation or other proceedings that may follow such events. Such a failure or breach of our systems could adversely and materially impact our business operations, financial position, results of operations and cash flows.

Failure to comply with anti-corruption and anti-bribery laws could result in fines, criminal penalties and drilling contract terminations and could have an adverse impact on our business.

The U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act 2010 (UK Bribery Act) and similar laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. We have operated and may in the future operate in parts of the world where strict compliance with anti-corruption and anti-bribery laws may conflict with local customs and practices. Any failure to comply with the FCPA, UK

Bribery Act, or other anti-corruption laws due to our own acts or omissions or the acts or omissions of others, including our partners, agents or vendors, could subject us to civil and criminal penalties or other sanctions, which would adversely affect our business, financial position, results of operations or cash flows. We could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participation in or curtailment of business operations in those jurisdictions and the seizure of drilling units or other assets.

Failure to retain highly skilled personnel could hurt our operations.

We require highly skilled and experienced personnel to operate our rigs and provide technical services and support for our operations. In the past, during periods of high demand for drilling services and increasing worldwide industry fleet size, shortages of qualified personnel have occurred. Such shortages could result in our loss of qualified personnel to competitors, impair the timeliness and quality of our work and create upward pressure on costs. If we are unable to retain or train skilled personnel, our operations and quality of service could be adversely impacted.

We are involved in litigation and legal proceedings from time to time that could have a negative effect on us if determined adversely.

We are, from time to time, involved in various legal proceedings, which may include, among other things, contract disputes, personal injury, environmental, toxic tort, employment, tax and securities litigation, governmental investigations or proceedings, and litigation that arises in the ordinary course of our business. Although we intend to defend any of these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter. Our profitability may be adversely affected by the outcome of claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, and any purported nullification, cancellation or breach of contracts with customers or other parties. Litigation may have an adverse effect on us because of potential negative outcomes, the costs associated with defending the lawsuits, the diversion of resources, reputational damage, and other factors.

Recent downgrades in our credit ratings may affect our ability to access the credit and debt capital markets.

Our ability to maintain a sufficient level of liquidity to meet our financial and operating needs is dependent upon our future performance, operating cash flows, and our access to credit and debt capital markets. In turn, our level of liquidity and access to credit and debt capital markets depends on general economic conditions, industry cycles, financial, business and other factors affecting our operations, as well as our credit ratings. Tightening in the credit markets due to the current economic environment, concerns about the offshore drilling industry and our credit ratings may restrict our access to the credit and debt capital markets in the future and increase the cost of such indebtedness. As a result, our future cash flows and access to capital may be insufficient to meet all of our capital requirements, debt obligations and contractual commitments, and any insufficiency could have an adverse impact on our business.

Certain credit rating agencies have downgraded our credit ratings below investment grade, and may further downgrade our credit ratings at any time. A further downgrade in our ratings could have adverse consequences on our business and future prospects, including the following:

- Restrict our ability to access credit and debt capital markets;
- Cause us to refinance or issue debt with less favorable terms and conditions;
- Pay increased fees under our debt agreements;
- Negatively impact current and prospective customers' willingness to transact business with us;
- Impose additional insurance, guarantee and collateral requirements; or
- Limit our access to bank and third-party guarantees, surety bonds and letters of credit.

Technology disputes could negatively impact our operations or increase our costs.

Drilling rigs use proprietary technology and equipment which can involve potential infringement of a third party's rights, including patent rights. The majority of the intellectual property rights relating to our jack-ups and drillships are owned by us or our suppliers or sub-suppliers, however, in the event that we or one of our suppliers or sub-suppliers becomes involved in a dispute over infringement rights relating to equipment owned or used by us, we may lose access to repair services or replacement parts, or we could be required to cease use of some equipment or forced to modify our jack-ups or drillships. We could also be required to pay license fees or royalties for the use of equipment. Technology disputes involving us or our suppliers or sub-suppliers could adversely affect our financial results and operations.

Unionization efforts and labor regulations in certain countries in which we operate could materially increase our costs or limit our flexibility.

Certain of our employees and contractors in international markets such as Trinidad and Norway are represented by labor unions and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. Further, efforts may be made from time to time to unionize other portions of our workforce. In addition, we have experienced, and in the future may experience, strikes or work stoppages and other labor disruptions. Additional unionization efforts, new collective bargaining agreements or work stoppages could materially increase our costs, reduce our revenues or limit our operations.

Supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs, decrease our revenues and adversely impact our operations.

Our reliance on third-party suppliers, manufacturers and service providers to secure equipment used in our drilling operations could expose us to volatility in the quality, price and availability of such items. Certain specialized parts and equipment we use in our operations may be available only from a single or small number of suppliers. A disruption in the deliveries from such third-party suppliers, capacity constraints, production disruptions, price increases, defects or quality-control issues, recalls or other decreased availability or servicing of parts and equipment could adversely affect our ability to meet our commitments to customers, adversely impact our operations and revenues by resulting in uncompensated downtime, reduced day rates or the cancellation or termination of contracts, or increase our operating costs.

The enforcement of civil liabilities against Rowan plc may be more difficult.

Because Rowan plc is a public limited company incorporated under English law, investors could experience more difficulty enforcing judgments obtained against Rowan plc in U.S. courts than would be the case for U.S. judgments obtained against a U.S. company. In addition, it may be more difficult to bring some types of claims against Rowan plc in courts in the U.K. than it would be to bring similar claims against a U.S. company in a U.S. court.

Our articles of association include mandatory offer provisions that may have the effect of discouraging, delaying or preventing hostile takeovers, including those that might result in a premium being paid over the market price of our shares, and discouraging, delaying or preventing changes in control or management.

Although Rowan plc is not currently subject to the U.K. Takeover Code, certain provisions similar to the mandatory offer provisions and certain other aspects of the U.K. Takeover Code are included in our articles of association. As a result, among other matters, a Rowan plc shareholder, that together with persons acting in concert, acquired 30 percent or more of our issued shares without making an offer to all of our other shareholders that is in cash or accompanied by a cash alternative would be at risk of certain Board sanctions unless they acted with the consent of our Board or the prior approval of the shareholders. The ability of shareholders to retain their shares upon completion of a mandatory offer may depend on whether the offeror subsequently causes us to propose a court-approved scheme of arrangement that would compel minority shareholders to transfer or surrender their shares in favor of the offeror or, if the offeror has acquired at least 90 percent of the relevant shares, the offeror requires minority shareholders to accept the offer under the ‘squeeze-out’ provisions in our articles of association. The mandatory offer provisions in our articles of association could have the effect of discouraging the acquisition and holding of interests of 30 percent or more of issued shares and encouraging those shareholders who may be acting in concert with respect to the acquisition of shares to seek to obtain the consent of our Board before effecting any additional purchases. In addition, these provisions may adversely affect the market price of our shares or inhibit fluctuations in the market price of our shares that could otherwise result from actual or rumored takeover attempts.

As a result of shareholder approval requirements required under U.K. law, we may have less flexibility than as a Delaware corporation with respect to certain aspects of capital management.

Unlike most U.S. state corporate law, English law provides that a board of directors may generally only allot shares with the prior authorization of shareholders, which such authorization may only extend for a maximum period of five years. English law also generally provides shareholders preemptive rights when new shares are issued for cash unless such rights are waived by the shareholders.

English law also generally prohibits us from repurchasing our shares on the open market, and prohibits us from repurchasing our shares by way of “off-market purchases” without the prior approval of shareholders, which approval may only extend for a maximum period of five years.

Prior to the redomestication, our Board was authorized to allot a certain amount of shares, exclude certain preemptive rights in shares for cash offerings and effect off market purchases, in each case without further shareholder approval. However, these authorizations expire in April 2017. As such, we will be unable to issue new shares or repurchase shares unless and until we

receive renewed shareholder approval. In addition, even if approved by shareholders, our ability to issue and repurchase shares may be substantially more restricted than a U.S. company.

English law requires that we meet certain additional financial requirements before we declare dividends and return funds to shareholders.

Under English law, a public company may only declare dividends and make other distributions to shareholders (such as a share buyback) if the company has sufficient distributable reserves and meets certain net asset requirements. If we do not have sufficient distributable reserves or cannot meet the net asset requirements, we may be limited in our ability to timely pay dividends and effect other distributions to our shareholders.

The United Kingdom's referendum to exit from the European Union (E.U.) will have uncertain effects and could adversely impact our business, results of operations and financial condition.

On June 23, 2016, the U.K. voted to exit from the E.U. (commonly referred to as "Brexit"). The terms of Brexit and the resulting U.K./E.U. relationship are uncertain for companies doing business both in the U.K. and the overall global economy. In addition, our business and operations may be impacted by any subsequent vote in Scotland to seek independence from the U.K. Risks related to Brexit that we may encounter include:

- adverse impact on macroeconomic growth and oil and gas demand resulting from the strength of the U.S. dollar;
- continued volatility in currencies including the British pound and U.S. dollar that may impact our financial results;
- reduced demand for our services in the U.K. and globally;
- increased costs of doing business in the U.K. and in the North Sea;
- increased regulatory costs and challenges for operating our business in the North Sea;
- volatile capital and debt markets, and access to other sources of capital;
- risks related to our global tax structure and the tax treaties upon which we rely;
- business uncertainty resulting from prolonged political negotiations; and
- uncertain stability of the E.U. and global economy if other countries exit the E.U.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved SEC staff comments.

ITEM 2. PROPERTIES

Our primary U.S. offices are located in leased space in Houston, Texas. Additionally, we own or lease other office, maintenance and warehouse facilities in Texas, Scotland, Saudi Arabia, Bahrain, Dubai, Qatar, Trinidad, Norway, Luxembourg, Angola, Egypt, Singapore, Indonesia, Cyprus and Malaysia.

Drilling Rigs

Following are the principal drilling equipment owned by Rowan and their location at February 14, 2017 .

Rig Name/Type	Class Name	Depth (feet)		Year of Shipyard Delivery	Location
		Water ⁽⁴⁾	Drilling ⁽⁵⁾		
Ultra-Deepwater Drillships:					
Rowan Renaissance	Gusto MSC P10,000	12,000	40,000	2014	US GOM
Rowan Resolute	Gusto MSC P10,000	12,000	40,000	2014	US GOM
Rowan Reliance	Gusto MSC P10,000	12,000	40,000	2014	US GOM
Rowan Relentless	Gusto MSC P10,000	12,000	40,000	2015	US GOM
Jack-ups:					
Rowan Norway ⁽¹⁾	N-Class	400	35,000	2011	U.K.
Rowan Stavanger ⁽¹⁾	N-Class	400	35,000	2011	U.K.
Rowan Viking ⁽¹⁾	N-Class	435	35,000	2010	Norway
Rowan EXL IV ⁽¹⁾	EXL	320	35,000	2011	Bahrain
Rowan EXL III ⁽¹⁾	EXL	350	35,000	2010	US GOM
Rowan EXL II ⁽¹⁾	EXL	350	35,000	2010	Trinidad
Rowan EXL I ⁽¹⁾	EXL	350	35,000	2010	Bahrain
Joe Douglas ⁽¹⁾	240C	350	35,000	2012	Trinidad
Ralph Coffman ⁽¹⁾	240C	350	35,000	2009	Trinidad
Rowan Mississippi ⁽¹⁾	240C	375	35,000	2008	Saudi Arabia
J.P. Bussell ⁽¹⁾	Tarzan	300	35,000	2008	Bahrain
Hank Boswell ⁽¹⁾	Tarzan	300	35,000	2006	Saudi Arabia
Bob Keller ⁽¹⁾	Tarzan	300	35,000	2005	Saudi Arabia
Scooter Yeargain ⁽¹⁾	Tarzan	300	35,000	2004	Saudi Arabia
Bob Palmer ⁽¹⁾	Super Gorilla XL	475	35,000	2003	Saudi Arabia
Rowan Gorilla VII ⁽¹⁾	Super Gorilla	400	35,000	2001	U.K.
Rowan Gorilla VI ⁽¹⁾	Super Gorilla	400	35,000	2000	U.K.
Rowan Gorilla V ⁽¹⁾	Super Gorilla	400	35,000	1998	U.K.
Rowan Gorilla IV ⁽¹⁾	Gorilla	450	30,000	1986	US GOM
Rowan California ^{(2)/(3)}	116C	300	25,000	1983	Bahrain
Cecil Provine ^{(2)/(3)}	116C	300	25,000	1982	US GOM
Gilbert Rowe ⁽²⁾	116C	300	30,000	1981	Saudi Arabia
Arch Rowan ⁽²⁾	116C	300	25,000	1981	Saudi Arabia
Charles Rowan ⁽²⁾	116C	300	25,000	1981	Saudi Arabia
Rowan Middletown ⁽²⁾	116C	300	25,000	1980	Saudi Arabia

(1) High-specification jack-up, which is defined as having hook-load capacity of at least two million pounds.

(2) Premium jack-up, which is defined as an independent leg, cantilevered rig capable of operating in water depths of 300 feet or more.

(3) Currently cold-stacked.

(4) Water depths are the maximum "rated" depths in the current region, as currently outfitted.

(5) Maximum estimated drilling depth, subject to well characteristics and rig outfitting.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various routine legal proceedings incidental to our businesses and are vigorously defending our position in all such matters. We believe there are no known contingencies, claims or lawsuits that could have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, positions and ages of the executive officers of the Company as of February 24, 2017, are listed below. Our executive officers are appointed by the Board of Directors and serve at the discretion of the Board of Directors. There are no family relationships among these officers, nor any arrangements or understandings between any officer and any other person pursuant to which the officer was selected.

Name	Position	Age
Thomas P. Burke	President and Chief Executive Officer	49
Stephen M. Butz	Executive Vice President and Chief Financial Officer	45
Mark A. Keller	Executive Vice President, Business Development	64
Melanie M. Trent	Executive Vice President, General Counsel, Chief Administrative Officer and Company Secretary	52
Dennis Baldwin	Chief Accounting Officer	56
T. Fred Brooks	Executive Vice President, Operations and Engineering	59

Dr. Burke was appointed Chief Executive Officer and elected a director of the Company in April 2014. He served as Chief Operating Officer beginning in July 2011 and was appointed President in March 2013. Dr. Burke first joined the Company in December 2009, serving as Chief Executive Officer and President of LeTourneau Technologies until the sale of LeTourneau in June 2011. From 2006 to 2009, Dr. Burke was a Division President at Complete Production Services, an oilfield services company, and from 2004 to 2006, served as its Vice President for Corporate Development.

Mr. Butz became Executive Vice President and Chief Financial Officer upon joining the Company in December 2014, and also served as Treasurer from December 2014 through February 2016. Prior to joining the Company, Mr. Butz served as Executive Vice President and Chief Financial Officer at Hercules Offshore, Inc. He was Senior Vice President and Chief Financial Officer of Hercules Offshore from 2010 to 2013 and held a number of other key positions after joining Hercules Offshore in 2005, including Director of Corporate Development and Vice President, Finance and Treasurer. Prior to joining Hercules Offshore, Mr. Butz held positions in both investment and commercial banking.

Since January 2007, Mr. Keller's principal occupation has been Executive Vice President, Business Development. Prior to that time, Mr. Keller served as Senior Vice President, Marketing.

Ms. Trent became Executive Vice President and General Counsel in September 2014. Prior to that time, Ms. Trent served as Senior Vice President, Chief Administrative Officer and Company Secretary since July 2011. From March 2010 to July 2011, she served as Vice President and Corporate Secretary. Ms. Trent has served as Corporate Secretary since she joined the Company in 2005.

Mr. Baldwin became Chief Accounting Officer in April 2016. Prior to joining the Company, he served as Vice President, Controller and Chief Accounting Officer for Cameron International Corporation from March 2014 until March 2016. Prior to such time, he was Senior Vice President and Chief Accounting Officer of KBR, Inc. from August 2010 to March 2014, and Vice President and Chief Accounting Officer of McDermott International from October 2007 to August 2010. He also previously served at Integrated Electrical Services and Veritas DGC.

Mr. Brooks became Executive Vice President, Operations and Engineering in February 2017. Prior to that time, he served as Senior Vice President, Operations from October 2012 through January 2017, and as Vice President, Deepwater Operations from March 2011 through September 2012. Prior to joining the Company, Mr. Brooks served as Senior Vice President of Operations at Northern Offshore from 2008 through 2010. He also served in various management positions at GlobalSantaFe from 1998 through 2007, including Vice President of West Africa Operations, and Vice President of Worldwide Deepwater & Gulf of Mexico Operations.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our shares are listed on the NYSE under the symbol "RDC." The following table sets forth the high and low sales prices of our shares for each quarterly period within the two most recent years as reported by the NYSE Consolidated Transaction Reporting System.

Quarter	2016		2015	
	High	Low	High	Low
First	\$ 18.43	\$ 10.67	\$ 25.13	\$ 17.23
Second	19.94	14.58	24.31	17.56
Third	19.06	12.00	21.14	14.63
Fourth	21.68	13.02	21.83	15.41

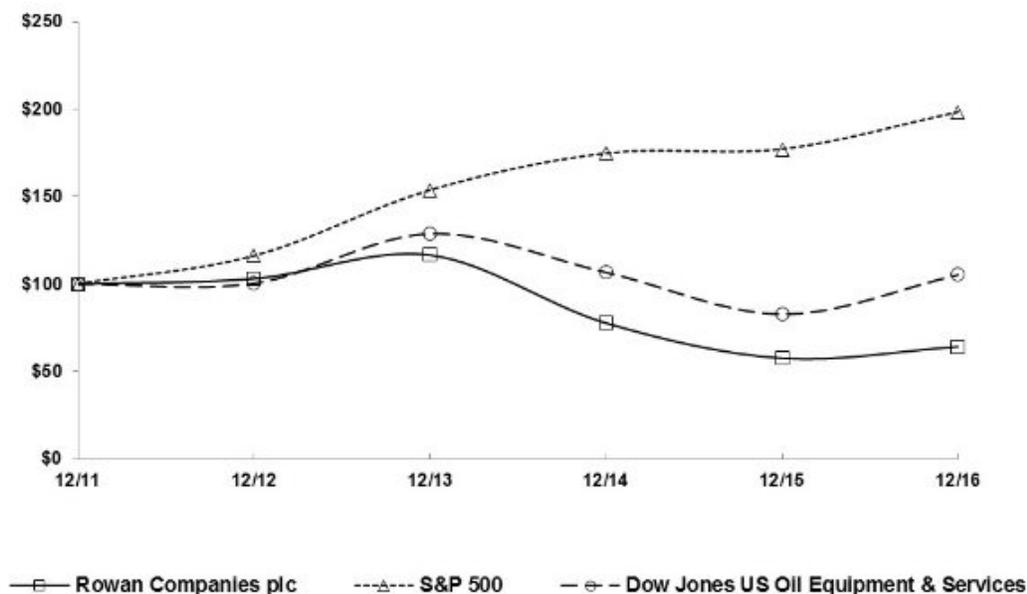
On February 17, 2017, there were 72 shareholders of record. Many of our shareholders hold their shares in "street name" by a nominee of Depository Trust Company, which is one shareholder of record.

We declared and paid a dividend of \$0.10 per share in each quarter of 2015. In January 2016, our Board of Directors discontinued dividend payments.

The graph below presents the relative investment performance of our ordinary shares, the Dow Jones U.S. Oil Equipment & Services Index, and the S&P 500 Index for the five-year period ended December 31, 2016, assuming reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Rowan Companies plc, the S&P 500 Index and the Dow Jones US Oil Equipment & Services Index



*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Rowan	100.00	103.10	116.58	77.73	57.62	64.21
S&P 500 Index	100.00	116.00	153.58	174.60	177.01	198.18
Dow Jones US Oil Equipment & Services Index	100.00	100.33	128.83	106.64	82.67	105.26

Issuer Purchases of Equity Securities

The following table summarizes acquisitions of our shares for the fourth quarter of 2016 :

Month ended	Total number of shares purchased ¹	Average price paid per share ¹	Total number of shares purchased as part of publicly announced plans or programs ²	Approximate dollar value of shares that may yet be purchased under the plans or programs ²
October 31, 2016	3,495	\$ 14.16	—	\$ —
November 30, 2016	2,003,817	\$ 0.16	—	\$ —
December 31, 2016	2,625	\$ 18.10	—	\$ —
Total	2,009,937	\$ 0.20	—	—

(1) The total number of shares acquired includes shares acquired from employees by an affiliated employee benefit trust ("EBT") upon forfeiture of nonvested awards or in satisfaction of tax withholding requirements and shares purchased, if any, pursuant to a publicly announced share repurchase program. The price paid for shares acquired as a result of forfeitures is the nominal value of \$0.125 per share. The price paid for shares acquired in satisfaction of withholding taxes is the share price on the date of the transaction. In November 2016, the Company issued 2.0 million shares to the EBT, which shares were acquired at a price equal to the nominal value of \$0.125 per share. There were no shares repurchased under any share repurchase program during the fourth quarter of 2016.

(2) The ability to make share repurchases is subject to the discretion of the Board of Directors and the limitations set forth in the Companies Act, which generally provide that share repurchases may only be made out of distributable reserves. In addition, U.K. law also generally prohibits a company from repurchasing its own shares through "off market purchases" without the prior approval of shareholders, which approval lasts for a maximum period of five years. Prior to and in connection with the redomestication, the Company obtained approval to purchase its own shares. To effect such repurchases, the Company entered into a purchase agreement with a specified dealer in July 2012, pursuant to which the Company may purchase up to a maximum of 50,000,000 shares over a five-year period, subject to an annual cap of 10% of the shares outstanding at the beginning of each applicable year. Subject to Board approval, share repurchases may be commenced or suspended from time to time without prior notice and, in accordance with the shareholder approval and U.K. law, any shares repurchased by the Company will be cancelled. The authority to repurchase shares terminates in April 2017 unless otherwise reapproved by the Company's shareholders. U.K. law prohibits the Company from purchasing its shares in the open market because Rowan is not traded on a recognized investment exchange in the U.K.

For information concerning our shares to be issued in connection with equity compensation plans, see Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for each of the last five years is presented below:

	2016	2015	2014	2013	2012
	(Dollars in millions, except per share amounts)				
Operations					
Revenues	\$ 1,843.2	\$ 2,137.0	\$ 1,824.4	\$ 1,579.3	\$ 1,392.6
Costs and expenses:					
Direct operating costs (excluding items shown below)	778.2	993.1	991.3	860.9	752.2
Depreciation and amortization	402.9	391.4	322.6	271.0	247.9
Selling, general and administrative	102.1	115.8	125.8	131.3	99.7
(Gain) loss on disposals of property and equipment	8.7	(7.7)	(1.7)	(20.1)	(2.5)
Gain on litigation settlement ⁽¹⁾	—	—	(20.9)	—	(4.7)
Material charges and other operating items ⁽²⁾	32.9	337.3	574.0	4.5	45.0
Total costs and expenses	1,324.8	1,829.9	1,991.1	1,247.6	1,137.6
Income (loss) from operations	518.4	307.1	(166.7)	331.7	255.0
Other income (expense) — net ⁽³⁾	(192.8)	(149.4)	(102.9)	(70.5)	(71.5)
Income (loss) from continuing operations before income taxes	325.6	157.7	(269.6)	261.2	183.5
Provision (benefit) for income taxes	5.0	64.4	(150.7)	8.6	(19.8)
Income (loss) from continuing operations	320.6	93.3	(118.9)	252.6	203.3
Discontinued operations, net of taxes ⁽⁴⁾	—	—	4.0	—	(22.7)
Net income (loss)	\$ 320.6	\$ 93.3	\$ (114.9)	\$ 252.6	\$ 180.6
Basic income (loss) per common share:					
Income (loss) from continuing operations	\$ 2.56	\$ 0.75	\$ (0.96)	\$ 2.04	\$ 1.65
Income (loss) from discontinued operations	—	—	0.03	—	(0.18)
Net income (loss)	\$ 2.56	\$ 0.75	\$ (0.93)	\$ 2.04	\$ 1.47
Diluted income (loss) per common share:					
Income (loss) from continuing operations	\$ 2.55	\$ 0.75	\$ (0.96)	\$ 2.03	\$ 1.64
Income (loss) from discontinued operations	—	—	0.03	—	(0.18)
Net income (loss)	\$ 2.55	\$ 0.75	\$ (0.93)	\$ 2.03	\$ 1.46
Financial Position					
Cash and cash equivalents	\$ 1,255.5	\$ 484.2	\$ 339.2	\$ 1,092.8	\$ 1,024.0
Property and equipment — net	\$ 7,060.0	\$ 7,405.8	\$ 7,432.2	\$ 6,385.8	\$ 6,071.7
Total assets	\$ 8,675.6	\$ 8,347.3	\$ 8,392.3	\$ 7,975.8	\$ 7,699.5
Current portion of long-term debt	\$ 126.8	\$ —	\$ —	\$ —	\$ —
Long-term debt, less current portion	\$ 2,553.4	\$ 2,692.4	\$ 2,788.5	\$ 2,008.7	\$ 2,009.6
Shareholders' equity	\$ 5,113.9	\$ 4,772.5	\$ 4,691.4	\$ 4,893.8	\$ 4,531.7
Statistical Information					
Current ratio ⁽⁵⁾	3.27	2.80	2.82	4.50	5.61
Debt to capitalization ratio	34%	36%	37%	29%	31%
Book value per share of common stock outstanding	\$ 40.76	\$ 38.24	\$ 37.66	\$ 39.39	\$ 36.48
Price range of common stock:					
High	\$ 21.68	\$ 25.13	\$ 35.17	\$ 38.65	\$ 39.40
Low	\$ 10.67	\$ 14.63	\$ 19.50	\$ 30.21	\$ 28.62
Cash dividends declared per share	\$ —	\$ 0.40	\$ 0.30	\$ —	\$ —

(1) Gain on litigation settlement includes: 2014 – a gain of \$20.9 million in cash received for damages incurred as a result of a tanker's collision with the *Rowan EXL I* in 2012; and 2012 – a \$4.7 million gain for cash received in connection with the settlement of a 2005 dispute with a customer.

(2) Material charges and other operating expenses consisted of the following: 2016 – \$34.3 million of non-cash impairment charges and a \$1.4 million reversal of an estimated liability for settlement of a withholding tax matter during a tax amnesty period which was related to a legal settlement for a 2014 termination of a contract for refurbishment work on the *Rowan Gorilla III*, as noted below in the 2015 period. A payment of such withholding taxes during the tax amnesty period resulted in the waiver of applicable penalties and interest; 2015 – \$329.8 million of non-cash asset impairment charges and a \$7.6 million adjustment to an estimated liability for the 2014 termination of a contract for refurbishment work on the *Rowan Gorilla III*. A settlement agreement for this matter was signed during the third quarter of 2015; 2014 – \$574.0 million of non-cash asset impairment charges; 2013 – \$4.5 million of non-cash asset impairment charges; and 2012 – \$13.8 million of legal and consulting fees incurred in connection with the Company's redomestication, \$12.0 million of repair costs for the *Rowan EXL I* following its collision with a tanker, \$8.7 million of pension settlement costs in connection with lump sum pension payments to employees of the Company's former manufacturing subsidiary, \$8.1 million of non-cash asset impairment charges, and \$2.3 million of incremental non-cash share-based compensation cost in connection with the retirement of an employee.

(3) In 2016, other income (expense), net includes \$31.2 million loss on debt extinguishment.

- (4) In 2011, the Company sold its manufacturing and land drilling operations, which are classified as discontinued operations. In 2014, we sold a land rig retained from the sale and recognized a \$4.0 million gain, net of tax.
- (5) Current ratio excludes assets and liabilities of discontinued operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OUR BUSINESS

Rowan plc is a global provider of offshore contract drilling services to the international oil and gas industry, with a focus on high-specification and premium jack-up rigs and ultra-deepwater drillships. Our fleet currently consists of 29 mobile offshore drilling units, including 25 self-elevating jack-up rigs and four ultra-deepwater drillships. Our fleet operates worldwide, including the United States Gulf of Mexico, the United Kingdom and Norwegian sectors of the North Sea, the Middle East and Trinidad.

As of February 14, 2017, the date of our most recent Fleet Status Report, two of our four drillships were under contract in the US GOM. Additionally, we had three jack-up rigs under contract in the North Sea, nine under contract in the Middle East, three under contract in Trinidad and two under contract in the US GOM. We had an additional six marketed jack-up rigs, two cold-stacked jack-up rigs and two marketed drillships without a contract.

We contract our drilling rigs, related equipment and work crews primarily on a "day rate" basis. Under day rate contracts, we generally receive a fixed amount per day for each day we are performing drilling or related services. In addition, our customers may pay all or a portion of the cost of moving our equipment and personnel to and from the well site. Contracts generally range in duration from one month to multiple years.

Joint Venture

On November 21, 2016, Rowan and the Saudi Arabian Oil Company ("Saudi Aramco"), through their subsidiaries, entered into a Shareholders' Agreement to create a 50/50 joint venture to own, manage and operate offshore drilling units in Saudi Arabia. The new entity is anticipated to commence operations in the second quarter of 2017 (see Part I, Item 1, "Business" of this Form 10-K).

Customer Contract Termination and Settlement

On May 23, 2016, we reached an agreement with Freeport-McMoRan Oil and Gas LLC ("FMOG") and its parent company, Freeport-McMoRan Inc. ("FCX") in connection with the drilling contract for the drillship *Rowan Relentless* ("FMOG Agreement"), which was scheduled to terminate in June 2017. The FMOG Agreement provided that the drilling contract be terminated immediately, and that FCX pay us \$215 million to settle outstanding receivables and early termination of the contract, which was received in 2016. In addition, we signed rights to receive two additional contingent payments from FCX, payable on September 30, 2017, of \$10 million and \$20 million depending on the average price of West Texas Intermediate ("WTI") crude oil over a 12-month period beginning June 30, 2016. The \$10 million payment will be due if the average price over the period is greater than \$50 per barrel and the additional \$20 million payment will be due if the average price over the period is greater than \$65 per barrel ("FMOG Provision"). The Company warm-stacked the *Rowan Relentless* in order to reduce costs. During the quarter ended June 30, 2016, the Company recognized \$173.2 million in revenue for the *Rowan Relentless*, including \$130.9 million for the cancelled contract value, \$6.2 million for the fair value of the derivative associated with the FMOG Provision, \$5.6 million for previously deferred revenue related to the contract, and \$30.5 million for operations through May 22, 2016. In January 2017, Rowan and FCX settled the \$10 million contingent payment provision with a \$6.0 million payment received by Rowan.

Customer Contract Amendment

On September 15, 2016, we amended our contract with Cobalt International Energy, L.P. ("Cobalt"), for the drillship *Rowan Reliance*, which was scheduled to conclude on February 1, 2018. The amendment provided cash settlement payments to Rowan totaling \$95.9 million, that the drillship remains at its current day rate of approximately \$582,000 and that the drilling contract may be terminated as early as March 31, 2017. The Company received cash payments totaling \$76.3 million in 2016 and expects to receive a final cash payment of \$19.6 million on or before March 31, 2017. In addition, if Cobalt continues its operations with the *Rowan Reliance* after March 31, 2017, the day rate will be reduced to approximately \$262,000 per day for the remaining operating days through February 1, 2018 (subject to further adjustment thereafter). Cobalt International Energy, Inc., the parent of Cobalt, also committed to use the Company as its exclusive provider of comparable drilling services for a period of five years. As we have the obligation and intent to have the drillship or a substitute available through the pre-amended contract scheduled end date, in certain circumstances, the \$95.9 million settlement was recorded as a deferred revenue liability. As of December 31, 2016, \$86.5 million and \$9.4 million of the deferred revenue liability is classified as current and noncurrent, respectively, and is included in Deferred Revenue, and Other Liabilities, respectively, in the Consolidated Balance Sheet. Amortization of deferred

revenue will begin on April 1, 2017 and extend no further than the pre-amended contract scheduled end date.

CURRENT BUSINESS ENVIRONMENT

Despite some recent signs of stabilization in commodity prices, the business environment for offshore drillers continues to be challenging as operators' capital expenditures have declined dramatically over the past two years. The resulting cancellation or postponement of drilling programs have resulted in significantly reduced demand for offshore drilling services globally. Additionally, the 231 new jack-ups and 158 new floaters that have been delivered since the beginning of the current newbuild cycle in early 2006 have exacerbated the situation. The rate of drilling contract terminations and expirations has continued to outpace new contract awards, resulting in reduced rig utilization and downward pressure on day rates. We expect this dynamic to continue in 2017. Contractors have responded by stacking certain idle equipment and deferring newbuild deliveries, however, the jack-up and floater markets remain oversupplied.

Further, as of February 14, 2017, there were 103 additional jack-up rigs on order or under construction worldwide for delivery through 2020 (relative to approximately 310 jack-up rigs currently on contract), and 48 floaters on order or under construction worldwide for delivery through 2020 (relative to approximately 149 floater rigs currently on contract). Only five jack-ups and 18 floaters currently on order or under construction have contracts secured for their future delivery dates. We expect several of these rigs may eventually be cancelled and many others will likely continue to be deferred until a recovery in demand is visible.

In response to market conditions over the past two years, we have reduced day rates on certain drilling contracts, some in exchange for extended contract duration, sold five of our oldest jack-ups, cold-stacked two of our older jack-ups, and have warm stacked five of our jack-ups and two of our ultra-deepwater drillships. We have agreed to one termination of an ultra-deepwater drillship contract and agreed to reduce the duration of another contract in exchange for certain upfront payments. Similarly, we have had two early terminations of jack-up rig contracts in recent months. Though in each case we have received or expect to receive a substantial portion of the backlog, these terminations add to the number of rigs available for work over the near term, likely increasing idle time in our fleet.

While we have seen some recent improvement in tender activity, given the current supply and demand dynamics and in the absence of a sustained recovery in commodity prices, we expect the business environment to continue to deteriorate in 2017 for the broad market. We believe that utilization rates for jack-ups could bottom sometime in 2017, and floater utilization could bottom sometime in 2018. These market conditions have increased our risk of customer defaults, restructurings or insolvency which may prompt further renegotiations or terminations of our drilling contracts.

However, we believe that we are strategically well-positioned to take advantage of the expected increase in activity given our strong and stable financial condition, current backlog of \$1.7 billion as of February 14, 2017 (excluding anticipated changes to the Middle East fleet due to the formation of the 50/50 joint venture with Saudi Aramco expected to commence operations in second quarter 2017, see Part I, Item 1, "Business" of this Form 10-K), solid operational reputation, and modern fleet of high-specification jack-ups and state-of-the-art ultra-deepwater drillships. While challenging market conditions persist, we continue to focus on operating and cost efficiencies which could include cold-stacking or retiring additional drilling rigs, layoffs or other cost cutting initiatives.

RESULTS OF OPERATIONS

The following table presents certain key performance indicators by rig classification:

	2016	2015	2014
Revenues (in millions):			
Deepwater	\$ 824.7	\$ 730.8	\$ 170.5
Jack-ups	994.7	1,361.3	1,598.8
Subtotal - Day rate revenues	1,819.4	2,092.1	1,769.3
Other revenues ⁽¹⁾	23.8	44.9	55.1
Total revenues	\$ 1,843.2	\$ 2,137.0	\$ 1,824.4
Revenue-producing days:			
Deepwater	1,238	1,178	262
Jack-ups	5,999	7,852	9,019
Total revenue-producing days	7,237	9,030	9,281
Available days: ⁽²⁾			
Deepwater	1,464	1,263	330
Jack-ups	8,784	9,558	10,220
Total available days	10,248	10,821	10,550
Average day rate (in thousands): ⁽³⁾			
Deepwater ⁽⁴⁾	\$ 550.7	\$ 620.5	\$ 650.4
Jack-ups	\$ 165.8	\$ 173.4	\$ 177.3
Total fleet ⁽⁴⁾	\$ 231.7	\$ 231.7	\$ 190.6
Utilization: ⁽⁵⁾			
Deepwater	85%	93%	80%
Jack-ups	68%	82%	88%
Total fleet	71%	83%	88%

(1) Other revenues, which are primarily revenues received for contract reimbursable costs, are excluded from the computation of average day rate.

(2) Available days are defined as the aggregate number of calendar days (excluding days for which a rig is cold-stacked) in the period, or, with respect to new rigs entering service, the number of calendar days in the period from the date the rig was placed in service.

(3) Average day rate is computed by dividing day rate revenues by the number of revenue-producing days, including fractional days. Day rate revenues include the contractual rates and amounts received in lump sum, such as for rig mobilization or capital improvements, which are amortized over the initial term of the contract. Revenues attributable to reimbursable expenses are excluded from average day rates.

(4) Average day rate for 2016 includes operating days for the *Rowan Relentless* up to the contract termination which was 143 days for 2016.

(5) Utilization is the number of revenue-producing days, including fractional days, divided by the number of available days.

Rig Utilization

The following table sets forth an analysis of time that our rigs were idle or out-of-service as a percentage of available days (which excludes cold-stacked rigs) and time that our rigs experience operational downtime and are off-rate as a percentage of revenue-producing day:

	2016	2015	2014
Deepwater:			
Idle ⁽¹⁾	15.2%	—	—
Out-of-service ⁽²⁾⁽³⁾	0.1%	—	15.1%
Operational downtime ⁽⁴⁾	0.1%	6.7%	6.3%
Jack-up:			
Idle ⁽¹⁾	25.4%	13.5%	1.4%
Out-of-service ⁽²⁾	5.3%	3.3%	9.5%
Operational downtime ⁽⁴⁾	1.4%	1.2%	1.0%

(1) Idle Days – We define idle days as the time a rig is not under contract and is available to work. Idle days exclude cold-stacked rigs, which are not marketed.

(2) Out-of-Service Days – We define out-of-service days as those days when a rig is (or is planned to be) out of service and is not able to earn revenue. The Company may be compensated for certain out-of-service days, such as for shipyard stays or for rig transit periods preceding a contract; however, recognition of any such compensation is deferred and recognized over the primary term of the drilling contract.

(3) Out-of-service time for our deepwater fleet for 2014 included 27 days attributable to the *Rowan Resolute* (35% of in-service time) for commissioning.

(4) Operational Downtime – We define operational downtime as the unbillable time when a rig is under contract and unable to conduct planned operations due to equipment breakdowns or procedural failures.

2016 Compared to 2015

A summary of our consolidated results of operations follows (in millions):

	Year ended December 31,		Change	% Change
	2016	2015		
Deepwater:				
Revenues	\$ 827.5	\$ 747.8	\$ 79.7	11 %
Operating expenses:				
Direct operating costs (excluding items below)	222.0	276.6	(54.6)	(20)%
Depreciation and amortization	115.0	94.6	20.4	22 %
Other operating items	0.1	—	0.1	n/m
Income from operations	<u>\$ 490.4</u>	<u>\$ 376.6</u>	<u>\$ 113.8</u>	30 %
Jack-ups:				
Revenues	\$ 1,015.7	\$ 1,389.2	\$ (373.5)	(27)%
Operating expenses:				
Direct operating costs (excluding items below)	556.2	716.5	(160.3)	(22)%
Depreciation and amortization	282.6	283.9	(1.3)	— %
Other operating items	40.9	328.8	(287.9)	n/m
Income from operations	<u>\$ 136.0</u>	<u>\$ 60.0</u>	<u>\$ 76.0</u>	127 %
Unallocated costs and other:				
Operating expenses:				
Depreciation and amortization	\$ 5.3	\$ 12.9	\$ (7.6)	(59)%
Selling, general and administrative	102.1	115.8	(13.7)	(12)%
Other operating items	0.6	0.8	(0.2)	n/m
Loss from operations	<u>\$ (108.0)</u>	<u>\$ (129.5)</u>	<u>\$ 21.5</u>	(17)%
Total company:				
Revenues	\$ 1,843.2	\$ 2,137.0	\$ (293.8)	(14)%
Direct operating costs (excluding items below)	778.2	993.1	(214.9)	(22)%
Depreciation and amortization	402.9	391.4	11.5	3 %
Selling, general and administrative	102.1	115.8	(13.7)	(12)%
Other operating items	41.6	329.6	(288.0)	n/m
Income from operations	518.4	307.1	211.3	69 %
Other (expense), net	(192.8)	(149.4)	(43.4)	29 %
Income from continuing operations before income taxes	325.6	157.7	167.9	106 %
Provision for income taxes	5.0	64.4	(59.4)	(92)%
Income from continuing operations	320.6	93.3	227.3	244 %
Discontinued operations, net of tax	—	—	—	n/m
Net income	<u>\$ 320.6</u>	<u>\$ 93.3</u>	<u>\$ 227.3</u>	244 %

“n/m” means not meaningful.

Revenues

Consolidated . The decrease in consolidated revenue is described below.

Deepwater . An analysis of the net changes in revenues for 2016, compared to 2015, are set forth below (in millions):

	Increase (decrease)
Contract termination for <i>Rowan Relentless</i> and related items	\$ 142.7
<i>Rowan Reliance</i> and <i>Rowan Relentless</i> fully in service in 2016 versus startup in February and June of 2015, respectively, net of idle time in the current period	21.5
Lower unbillable downtime	14.6
Lower drillship average day rates	(84.8)
Lower reimbursable revenues	(14.3)
Net increase	<u>\$ 79.7</u>

Jack-ups . An analysis of the net changes in revenues for 2016, compared to 2015, are set forth below (in millions):

	Increase (Decrease)
Lower jack-up utilization	\$ (319.8)
Lower jack-up average day rates	(46.1)
Lower reimbursable revenues	(7.9)
Other	0.3
Net decrease	<u>\$ (373.5)</u>

Direct operating costs

Consolidated . The decrease in consolidated direct operating costs is described below.

Deepwater . An analysis of the net changes in direct operating costs for 2016, compared to 2015, are set forth below (in millions):

	Increase (decrease)
Addition of the <i>Rowan Reliance</i> and <i>Rowan Relentless</i>	\$ 19.7
Reduction in drillship direct operating expense	(34.8)
Decrease due to idle drillship	(15.4)
Lower reimbursable costs	(14.3)
Reduction in shore base costs and other	(9.8)
Net decrease	<u>\$ (54.6)</u>

Jack-ups . An analysis of the net changes in direct operating costs for 2016, compared to 2015, are set forth below (in millions):

	Decrease
Decrease due to idle or cold-stacked rigs	\$ (115.9)
Reduction in jack-up direct operating expense	(29.9)
Lower reimbursable costs	(7.9)
Reduction in shore base costs and other	(6.6)
Decrease	<u>\$ (160.3)</u>

Depreciation and amortization

Depreciation and amortization for 2016 increased largely due to the addition of the *Rowan Reliance* and *Rowan Relentless* in 2015.

Selling, general and administrative

Selling, general and administrative expenses for 2016 decreased largely due to lower personnel costs. In addition, professional fees and information technology expenses decreased in 2016 as compared to 2015.

Other operating items

Material charges for 2016 included a \$34.3 million non-cash impairment charge to reduce the carrying values of five of our jack-up drilling units, partially offset by a \$1.4 million reversal of an estimated liability for settlement of a withholding tax matter during a tax amnesty period which was related to a legal settlement for a 2014 termination of a contract for refurbishment work on the *Rowan Gorilla III*, as noted below in the 2015 period. Payment of such withholding taxes during the tax amnesty period resulted in the waiver of applicable penalties and interest.

Material charges for 2015 included a \$329.8 million non-cash impairment charge to reduce the carrying values of ten of our jack-up drilling units and a \$7.6 million adjustment to an estimated liability for the 2014 termination of a contract for refurbishment work on the *Rowan Gorilla III*. A settlement agreement for this matter was signed during the third quarter of 2015.

In 2016 we had a loss on disposals of property and equipment of \$8.7 million, compared to a gain of \$7.7 million in 2015.

Other expense, net

The increase in Other Expense, Net, is primarily due to a \$31.2 million net loss on the early extinguishment of debt in 2016 compared to \$1.5 million in 2015. Interest capitalization was \$16.2 million in 2015. There was no interest capitalization in 2016 as the drillship construction program was completed in 2015. Additionally, our foreign currency exchange losses increased to \$9.7 million in 2016 compared to \$3.9 million in 2015 primarily due to the devaluation of the Egyptian pound. Partially offsetting these increases, our debt retirements in late 2015 and early 2016 resulted in a reduction in interest expense in 2016.

Provision for income taxes

In 2016, we recognized an income tax provision of \$5.0 million on pretax income of \$325.6 million. The 2016 tax provision was primarily due to the current year operations offset by the amortization of deferred intercompany gains and losses and deferred tax benefit as a result of current year restructuring.

In 2015, we recognized an income tax provision of \$64.4 million on pretax income of \$157.7 million. The 2015 tax provision was primarily due to the establishment of a valuation allowance on the U.S. deferred tax assets, impairments of assets in foreign jurisdictions with no tax benefits, and an increase in income in high-tax jurisdictions, offset by additional tax benefit for the U.S.-impaired assets and an increase in income in low-tax jurisdictions.

2015 Compared to 2014

A summary of our consolidated results of operations follows (in millions):

	Year ended December 31,		Change	% Change
	2015	2014		
Deepwater:				
Revenues	\$ 747.8	\$ 179.8	\$ 568.0	316 %
Operating expenses:				
Direct operating costs (excluding items below)	276.6	87.8	188.8	215 %
Depreciation and amortization	94.6	24.4	70.2	288 %
Income from operations	<u>\$ 376.6</u>	<u>\$ 67.6</u>	<u>\$ 309.0</u>	457 %
Jack-ups:				
Revenues	\$ 1,389.2	\$ 1,644.6	\$ (255.4)	(16)%
Operating expenses:				
Direct operating costs (excluding items below)	716.5	903.5	(187.0)	(21)%
Depreciation and amortization	283.9	283.5	0.4	— %
Other operating items	328.8	544.9	(216.1)	n/m
Income (loss) from operations	<u>\$ 60.0</u>	<u>\$ (87.3)</u>	<u>\$ 147.3</u>	n/m
Unallocated costs and other:				
Operating expenses:				
Depreciation and amortization	\$ 12.9	\$ 14.7	\$ (1.8)	(12)%
Selling, general and administrative	115.8	125.8	(10.0)	(8)%
Other operating items	0.8	6.5	(5.7)	n/m
Loss from operations	<u>\$ (129.5)</u>	<u>\$ (147.0)</u>	<u>\$ 17.5</u>	(12)%
Total company:				
Revenues	\$ 2,137.0	\$ 1,824.4	\$ 312.6	17 %
Direct operating costs (excluding items below)	993.1	991.3	1.8	— %
Depreciation and amortization	391.4	322.6	68.8	21 %
Selling, general and administrative	115.8	125.8	(10.0)	(8)%
Other operating items	329.6	551.4	(221.8)	n/m
Income (loss) from operations	307.1	(166.7)	473.8	n/m
Other (expense), net	(149.4)	(102.9)	(46.5)	45 %
Income (loss) from continuing operations before income taxes	157.7	(269.6)	427.3	n/m
Provision (benefit) for income taxes	64.4	(150.7)	215.1	n/m
Income (loss) from continuing operations	93.3	(118.9)	212.2	n/m
Discontinued operations, net of tax	—	4.0	(4.0)	n/m
Net income (loss)	<u>\$ 93.3</u>	<u>\$ (114.9)</u>	<u>\$ 208.2</u>	n/m

“n/m” means not meaningful.

Revenues

Consolidated . The increase in consolidated revenue is described below.

Deepwater . An analysis of the net changes in revenues for 2015, compared to 2014, are set forth below (in millions):

	Increase
Addition of the <i>Rowan Reliance</i> and <i>Rowan Relentless</i> in 2015	\$ 290.4
Addition of the <i>Rowan Renaissance</i> and <i>Rowan Resolute</i> in 2014	269.9
Revenues for reimbursable costs and other, net	7.7
Increase	<u>\$ 568.0</u>

Jack-ups . An analysis of the net changes in revenues for 2015, compared to 2014, are set forth below (in millions):

	Decrease
Lower jack-up utilization	\$ (206.9)
Lower average day rates for existing rigs	(30.6)
Revenues for reimbursable costs and other, net	(17.9)
Decrease	<u>\$ (255.4)</u>

Direct operating costs

Consolidated . An analysis of the net changes in direct operating costs for 2015, compared to 2014, are set forth below (in millions):

	Increase (decrease)
2015 Compared to 2014:	
Addition of the <i>Rowan Reliance</i> and <i>Rowan Relentless</i> in 2015	\$ 76.4
Addition of the <i>Rowan Renaissance</i> and <i>Rowan Resolute</i> in 2014	68.4
Return to work of the <i>Rowan Gorilla III</i> , <i>Rowan Gorilla VI</i> and the <i>Rowan Viking</i>	32.2
Decrease due to idle, sold or cold-stacked rigs	(75.8)
Reduction of regional shorebases	(13.5)
Reimbursable costs	(10.1)
Other, net - primarily repair and maintenance and personnel costs for other rigs	(75.8)
Net increase	<u>\$ 1.8</u>

Depreciation and amortization

The increase in depreciation was primarily due to the addition of the four drillships.

Selling, general and administrative

Selling, general and administrative expenses decreased primarily due to cost-reduction measures, which included reductions in headcount and fewer professional services.

Other operating items

As a result of the extended downturn in the market for offshore contract drilling services, we conducted an impairment test of our assets in 2015 and determined that the carrying values for ten of our jack-up rigs were not recoverable from their undiscounted expected future cash flows and exceeded their fair values. As a result, we recognized an aggregate non-cash asset impairment charge in 2015 in the amount of \$329.8 million. In 2014, we recognized non-cash asset impairment charges totaling \$565.7 million on twelve jack-up rigs and a charge of \$8.3 million for impairment of a Company aircraft, which we sold later in 2014 at an immaterial loss.

In 2015, we sold the *Rowan Louisiana*, *Rowan Alaska* and *Rowan Juneau* jack-up drilling rigs in separate sales and recognized a net gain totaling \$8.8 million on proceeds of \$15.9 million.

In 2015, we recognized a \$7.6 million charge for the termination of a contract in connection with refurbishment work on the *Rowan Gorilla III*.

In 2014, the Company settled its litigation with the owners and operators of a tanker that collided with the *Rowan EXL I* in 2012 and received \$20.9 million in cash as compensation for damages incurred in 2012 for repair costs to and loss of use of the rig. We recognized the cash receipt in 2014 as a component of operating income.

Provision (benefit) for income taxes

In 2015, we recognized an income tax provision of \$64.4 million on pretax income of \$157.7 million. The 2015 tax provision was primarily due to the establishment of a valuation allowance on the U.S. deferred tax assets, impairments of assets in foreign jurisdictions with no tax benefits, and an increase in income in high-tax jurisdictions, offset by additional tax benefit for the U.S.-impaired assets and an increase in income in low-tax jurisdictions.

In 2014, we recognized an income tax benefit of \$150.7 million on a \$269.6 million pretax loss from continuing operations. The benefit was primarily due to the acceleration of previously deferred intercompany gains and losses associated with impaired assets, the amortization of deferred intercompany gains and losses related to outbidding certain U.S.-owned rigs to our non-U.S. subsidiaries in prior years, and the settlement agreement reached with the U.S. Internal Revenue Service in September 2014.

Discontinued operations, net of tax

In 2014, we sold a land rig that was retained in connection with the 2011 sale of the Company's manufacturing operations and recognized a gain on sale of \$4.0 million, net of tax effects.

LIQUIDITY AND CAPITAL RESOURCES

Key balance sheet amounts and ratios at December 31 were as follows (dollars in millions):

	2016	2015
Cash and cash equivalents	\$ 1,255.5	\$ 484.2
Current assets	\$ 1,580.3	\$ 921.3
Current liabilities	\$ 483.8	\$ 328.7
Current ratio	3.27	2.80
Current portion of long-term debt	\$ 126.8	\$ —
Long-term debt, less current portion	\$ 2,553.4	\$ 2,692.4
Shareholders' equity	\$ 5,113.9	\$ 4,772.5
Debt to capitalization ratio	34%	36%

Sources and uses of cash and cash equivalents were as follows (in millions):

	2016	2015	2014
Net operating cash flows	\$ 900.6	\$ 996.9	\$ 423.0
Borrowings, net of issue costs	491.3	220.0	792.7
Reduction of long-term debt	(511.8)	(317.9)	—
Capital expenditures	(117.6)	(722.9)	(1,958.2)
Payment of cash dividends	—	(50.5)	(37.7)
Proceeds from disposals of property and equipment	6.2	19.4	22.0
Proceeds from exercise of share options	—	—	4.7
All other, net	2.6	—	(0.1)
Total net source (use)	\$ 771.3	\$ 145.0	\$ (753.6)

Operating Cash Flows

Cash flows from operations decreased to approximately \$901 million in 2016 from \$997 million in 2015 primarily due to lower drilling activity, the cash loss on early extinguishment of debt, combined with uses of cash for current assets and liabilities, partially offset by deferred revenues and changes in other non-current assets and liabilities. Operating cash flows for 2015 compared to

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2014 were positively impacted by the startup of the drillships in 2014 and 2015 and favorable changes in working capital, including lower pension contributions in 2015.

We have not provided deferred income taxes on certain undistributed earnings of non-U.K. subsidiaries. Generally, earnings of non-U.K. subsidiaries in which RCI does not have a direct or indirect ownership interest can be distributed to Rowan plc without imposition of either U.K. or local country tax. It is generally our policy and intention to permanently reinvest earnings of non-U.S. subsidiaries of RCI outside the U.S. However, we have recognized taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future.

As of December 31, 2016, RCI's portion of the unremitted earnings of its non-U.S. subsidiaries that could be includable in taxable income of RCI, if distributed, was approximately \$376 million. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting tax impact could have a material effect on our consolidated financial statements. Should the non-U.S. subsidiaries of RCI make a distribution from these earnings, we may be subject to additional income taxes. It is not practicable to estimate the amount of deferred tax liability related to the undistributed earnings, and RCI's non-U.S. subsidiaries have no plan to distribute earnings in a manner that would cause them to be subject to U.S., U.K. or other local country taxation.

At December 31, 2016, RCI's non-U.S. subsidiaries held approximately \$328 million of the \$1.256 billion of consolidated cash and cash equivalents. Management believes the Company has significant net assets, liquidity, contract backlog and/or other financial resources available to meet our operational and capital investment requirements and otherwise allow us to continue to maintain our policy of reinvesting such undistributed earnings outside the U.K. and U.S. indefinitely.

Backlog

Our backlog by geographic area as of the date of our most recent Fleet Status Report is presented below (in millions):

	February 14, 2017		
	Jack-ups	Deepwater	Total
US GOM	\$ 21.5	\$ 486.7	\$ 508.2
Middle East ⁽¹⁾	914.2	—	914.2
North Sea	189.8	—	189.8
Central and South America	72.4	—	72.4
Total backlog	\$ 1,197.9	\$ 486.7	\$ 1,684.6

(1) Backlog does not account for the anticipated changes to the Middle East fleet due to the formation of the 50/50 joint venture with Saudi Aramco expected to commence operations in second quarter 2017 (see Part I, Item 1, "Business" of this Form 10-K).

We estimate our backlog will be realized as follows (in millions):

	February 14, 2017		
	Jack-ups	Deepwater	Total
2017	\$ 554.7	\$ 350.8	\$ 905.5
2018	294.5	135.9	430.4
2019	65.0	—	65.0
2020	65.0	—	65.0
2021 and later years	218.7	—	218.7
Total backlog	\$ 1,197.9	\$ 486.7	\$ 1,684.6

Backlog does not account for the anticipated changes to the Middle East fleet due to the formation of the 50/50 joint venture with Saudi Aramco expected to commence operations in second quarter 2017 (see Part I, Item 1, "Business" of this Form 10-K).

Our contract backlog represents remaining contractual terms and may not reflect actual revenue due to renegotiations or a number of factors such as rig downtime, out of service time, estimated contract durations, customer concessions or contract cancellations.

About 49% of our remaining available rig days in 2017 and 23% of available rig days in 2018 are included in backlog as revenue producing days as of February 14, 2017, excluding cold-stacked rigs. As of that date, we had two jack-ups that were cold-stacked and six jack-ups and two drillships that were available.

Since 2014, we have recognized asset impairment charges on several of our jack-up drilling units as a result of the decline in market conditions and the expectation of future demand and day rates. If market conditions deteriorate further, we could be required to recognize additional impairment charges in future periods.

Investing Activities

Capital expenditures in 2016 totaled \$117.6 million and included the following:

- \$68.5 million for improvements to the existing fleet, including contractually required modifications; and
- \$49.1 million for rig equipment and other.

We currently estimate our 2017 capital expenditures will range from approximately \$105-\$115 million, primarily for fleet maintenance, rig equipment, spares and other. This amount excludes any contractual modifications that may arise due to our securing additional work.

We expect to fund our 2017 capital expenditures using available cash and cash flows from operations.

Our capital budget reflects an appropriation of money that we may or may not spend, and the timing of such expenditures may change. We will periodically review and adjust the capital budget as necessary based upon current and forecasted cash flows and liquidity, anticipated market conditions in our business, the availability of financial resources, and alternative uses of capital to enhance shareholder value.

Capital expenditures for 2015 totaled \$722.9 million and included \$541.3 million towards drillship construction, including costs for mobilization, commissioning, riser gas-handling equipment, software certifications and spares; \$132.5 million for improvements to the existing fleet, including contractually required modifications; and \$49.1 million for rig equipment inventory and other. With the delivery of our fourth and final drillship in March 2015, we concluded our ultra-deepwater drillship construction program. We took delivery of the first three drillships in 2014.

Capital expenditures for 2014 totaled \$2.0 billion and included \$1.6 billion towards drillship construction; \$345 million for improvements to the existing fleet, including contractually required modifications; and \$53 million for rig equipment, spares and other.

Financing Activities

In January 2014, we completed the issuance and sale in a public offering of \$400 million aggregate principal amount of 4.75% Senior Notes due 2024 (the "2024 Notes"), and \$400 million aggregate principal amount of 5.85% Senior Notes due 2044 (the "2044 Notes"). Net proceeds of the offering were approximately \$792 million, which the Company used for its drillship construction program and for general corporate purposes.

In May 2015, we amended and restated our revolving credit agreement to increase the borrowing capacity under the facility from \$1 billion to \$1.5 billion and to extend the maturity date by one year to January 2020. In January 2016, we further amended the revolving credit agreement to extend the maturity date by one year to January 2021. Availability under the facility is \$1.5 billion through January 23, 2019, declining to \$1.44 billion through January 23, 2020, and to approximately \$1.29 billion through the maturity in 2021. There were no amounts drawn under the revolving credit agreement at December 31, 2016.

Advances under our revolving credit agreement bear interest at LIBOR or Base Rate plus an applicable margin, which is dependent upon our credit ratings. The applicable margins for LIBOR and Base Rate advances range from 1.125% - 2.0% and 0.125% - 1.0%, respectively. We are also required to pay a commitment fee on undrawn amounts of the credit agreement, which ranges from 0.125% to 0.35%, depending on our credit ratings.

The revolving credit agreement requires us to maintain a total debt-to-capitalization ratio of less than or equal to 60%. Additionally, the credit agreement has customary restrictive covenants that, including others, restrict our ability to incur certain debt and liens, enter into certain merger and acquisition agreements, sell, transfer, lease or otherwise dispose of all or substantially all of our assets and substantially change the character of our business from contract drilling.

During 2015, we paid \$101.1 million in cash to retire \$97.9 million aggregate principal amount of the 5% Senior Notes due 2017 (the "2017 Notes") and 7.875% Senior Notes due 2019 (the "2019 Notes"), plus accrued interest, and recognized a \$1.5 million loss on early extinguishment of debt.

During the first half of 2016, we paid \$45.2 million in cash to retire \$47.9 million aggregate principal amount of the 2017 Notes and 2019 Notes, and recognized a \$2.4 million gain on early extinguishment of debt.

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In December 2016, we commenced cash tender offers for \$750 million aggregate principal amount of certain Senior Notes (as defined below) issued by the Company, which such tender offers expired on January 3, 2017. Senior Notes validly tendered and accepted for purchase prior to the early tender expiration time on December 16, 2016, received tender offer consideration plus an early tender premium. As a result of the tender offers, in December 2016, we paid \$490.5 million to redeem \$463.9 million aggregate principal amount of outstanding Senior Notes, consisting of \$265.5 million of the 2017 Notes, \$186.7 million of the 2019 Notes, \$9.8 million of 4.875% Senior Notes due 2022 (the "2022 Notes") and \$1.9 million of the 2024 Notes, and recognized a \$33.6 million loss on the early extinguishment of debt which included approximately \$5.9 million of bank and legal fees.

On December 19, 2016, we completed the issuance of \$500 million aggregate principal amount of 7.375% Senior Notes due 2025 (the "2025 Notes") at a price of 100% of the principal amount. We used the net proceeds of the offering, approximately \$492 million, along with cash on hand, to fund the redemption of Senior Notes related to the tender offers. \$5.3 million of the cash paid to the underwriting banks in the form of the underwriters discount and structuring fee was expensed and included in the \$33.6 million loss on early extinguishment of debt related to the December 2016 tender offers. Interest on the 2025 Notes is payable on June 15 and December 15 of each year, beginning on June 15, 2017. The 2025 Notes contain a provision whereby upon a change of control repurchase event, as defined in the indenture governing the 2025 Notes, we may be required to make an offer to repurchase all outstanding notes at a price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus any accrued and unpaid interest to the repurchase date. Otherwise, the 2025 Notes contain substantially the same provisions as the Company's other Senior Notes.

In January 2017, at the expiration of the tender offers, we paid \$32.8 million to redeem \$34.6 million aggregate principal amount of outstanding Senior Notes, consisting of \$0.1 million of the 2017 Notes, \$0.9 million of the 2019 Notes and \$33.6 million of the 2022 Notes.

On January 9, 2017, we called for redemption \$92.1 million aggregate principal amount of the 2017 Notes that remained outstanding and on February 8, 2017, we paid \$94.0 million to redeem such notes.

As of December 31, 2016, we had \$2.7 billion of outstanding long-term debt consisting of \$92.2 million principal amount of the 2017 Notes; \$209.8 million principal amount of the 2019 Notes; \$690.2 million principal amount of the 2022 Notes; \$398.1 million aggregate principal amount of the 2024 Notes; \$500.0 million aggregate principal amount of the 2025 Notes; \$400.0 million principal amount of 5.4% Senior Notes due 2042; and \$400.0 million aggregate principal amount of the 2044 Notes (together, the "Senior Notes"). The Senior Notes are fully and unconditionally guaranteed on a senior and unsecured basis by Rowan plc (see Note 16 of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K).

Annual interest payments on the Senior Notes are estimated to be approximately \$150 million in 2017. No principal payments are required until each series' final maturity date. Management believes that cash flows from operating activities, existing cash balances, and amounts available under the revolving credit facility will be sufficient to satisfy the Company's cash requirements for the following twelve months.

Restrictive provisions in the Company's bank credit facility agreement limit consolidated debt to 60% of book capitalization. Our consolidated debt to total capitalization ratio at December 31, 2016, was 34%.

Other provisions of our debt agreements limit the ability of the Company to create liens that secure debt, engage in sale and leaseback transactions, merge or consolidate with another company and, in the event of noncompliance, restrict investment activities and asset purchases and sales, among other things. The Company was in compliance with its debt covenants at December 31, 2016, and expects to remain in compliance throughout 2017.

Cash Dividends

Prior to 2014, the Company had not paid a quarterly cash dividend since 2008. Cash dividends for 2014 and 2015 are set forth below:

	Cash dividend per share	Declaration date	Record date	Payment date
2014:				
Second quarter	\$ 0.10	4/25/2014	5/5/2014	5/20/2014
Third quarter	0.10	7/31/2014	8/11/2014	8/26/2014
Fourth quarter	0.10	10/30/2014	11/11/2014	11/25/2014
2015:				
First quarter	\$ 0.10	1/29/2015	2/9/2015	3/3/2015
Second quarter	0.10	5/1/2015	5/12/2015	5/26/2015
Third quarter	0.10	7/31/2015	8/11/2015	8/25/2015
Fourth quarter	0.10	10/29/2015	11/9/2015	11/23/2015

In January 2016, the Company announced that it had discontinued its quarterly dividend.

Off-balance Sheet Arrangements and Contractual Obligations

The Company had no off-balance sheet arrangements as of December 31, 2016 or 2015, other than operating lease obligations and other commitments in the ordinary course of business.

The following is a summary of our contractual obligations at December 31, 2016, including obligations recognized on our balance sheet and those not required to be recognized (in millions):

	Payments due by period				
	Total	Within 1 year	2 to 3 years	4 to 5 years	After 5 years
Long-term debt principal payment	\$ 2,690	\$ 92	\$ 210	\$ —	\$ 2,388
Interest on Senior Notes	1,866	154	295	269	1,148
Purchase obligations	62	60	2	—	—
Operating leases	35	7	12	5	11
Total	\$ 4,653	\$ 313	\$ 519	\$ 274	\$ 3,547

As of December 31, 2016, our liability for unrecognized tax benefits related to uncertain tax positions totaled \$135.0 million, inclusive of interest and penalties. Due to the high degree of uncertainty related to these tax matters, we are unable to make a reasonably reliable estimate as to the timing of cash settlement with the respective taxing authorities, and we have therefore excluded this amount from the contractual obligations presented in the table above.

We periodically employ letters of credit in the normal course of our business, and had outstanding letters of credit of approximately \$2.9 million at December 31, 2016.

If the new joint venture company has insufficient cash from operations or financing is not available to fund the cost of the newbuild jack-up rigs, Rowan will be obligated to contribute funds to purchase such rigs, up to a maximum amount of \$1.25 billion for all 20 newbuild jack-up rigs (see Part I, Item 1, "Business" of this Form 10-K).

Pension Obligations

Minimum contributions under defined benefit pension plans are determined based upon actuarial calculations of pension assets and liabilities that involve, among other things, assumptions about long-term asset returns and interest rates. Similar calculations were used to estimate pension costs and obligations as reflected in our consolidated financial statements (see "Critical Accounting Policies and Management Estimates – Pension and other postretirement benefits"). As of December 31, 2016, our financial statements reflected an aggregate unfunded pension liability of \$228 million. We expect to make minimum contributions to our defined benefit pension plans of approximately \$30 million in 2017, and we will continue to make significant pension contributions over the next several years. Additional funding may be required if, for example, future interest rates or pension asset values decline or there are changes in legislation.

Contingent Liabilities

We are involved in various legal proceedings incidental to our businesses and are vigorously defending our position in all such matters. The Company believes that there are no known contingencies, claims or lawsuits that could have a material effect on its financial position, results of operations or cash flows.

CRITICAL ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

Our significant accounting policies are presented in Note 2 of “Notes to Consolidated Financial Statements” in Item 8 of this Form 10-K. These policies and management judgments, assumptions and estimates made in their application underlie reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. We believe that our most critical accounting policies and management estimates involve carrying values of long-lived assets, pension and other postretirement benefit liabilities and costs (specifically assumptions used in actuarial calculations), and income taxes (particularly our estimated reserves for uncertain tax positions), as changes in such policies and/or estimates would produce significantly different amounts from those reported herein.

Depreciation and impairments of long-lived assets

We depreciate our assets using the straight-line method over their estimated useful service lives after allowing for salvage values. We estimate useful lives and salvage values by applying judgments and assumptions that reflect both historical experience and expectations regarding future operations, utilization and performance. Useful lives may be affected by a variety of factors including technological advances in methods of oil and gas exploration, changes in market or economic conditions, and changes in laws or regulations that affect the drilling industry. Applying different judgments and assumptions in establishing useful lives and salvage values may result in values that differ from recorded amounts. In connection with the completion of an asset impairment test in 2014, we reevaluated our policy with respect to salvage values and, in light of our historical experience, we reduced salvage values for our jack-up rigs from 20 percent to 10 percent of historical cost.

We evaluate the carrying value of our property and equipment, primarily our drilling rigs, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Potential impairment indicators include rapid declines in commodity prices, stock prices, rig utilization and day rates, among others. The offshore drilling industry has historically been highly cyclical and it is not unusual for rigs to be underutilized or idle for extended periods of time and subsequently resume full or near full utilization when business cycles improve. Similarly, during periods of excess supply, rigs may be contracted at or near cash break-even rates for extended periods. Impairment situations may arise with respect to specific rigs, specific categories or classes of rigs, or rigs in a certain geographic region. Our rigs are mobile and may generally be moved from regions with excess supply, if economically feasible.

Asset impairment evaluations are, by nature, highly subjective. In most instances, they involve expectations of future cash flows to be generated by our drilling rigs and are based on management's judgments and assumptions regarding future industry conditions and operations, as well as management's estimates of future expected utilization, contract rates, expense levels and capital requirements. The estimates, judgments, and assumptions used by management in the application of our asset impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. The use of different estimates, judgments, assumptions (including discount rates) and expectations regarding future industry conditions and operations would likely result in materially different asset carrying values and operating results.

In 2016, 2015 and 2014, we conducted impairment tests of our assets and determined that the carrying values of certain jack-up rigs were not recoverable from their undiscounted cash flows and exceeded their fair values. As a result, we recognized non-cash asset impairment charges of approximately \$34 million, \$330 million and \$566 million in 2016, 2015 and 2014, respectively (see Note 2 of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K).

Pension and other postretirement benefits

Our pension and other postretirement benefit liabilities and costs are based upon actuarial computations that reflect our assumptions about future events, including long-term asset returns, interest rates, annual compensation increases, mortality rates and other factors. Key assumptions at December 31, 2016, included weighted average discount rates of 4.29% and 4.53% used to determine pension benefit obligations and net cost, respectively, an expected long-term rate of return on pension plan assets of 7.15% and annual healthcare cost increases ranging from 6.9% in 2016 to 4.5% in 2038 and beyond. The assumed discount rate is based upon the average yield for Moody's Aa-rated corporate bonds, and the rate of return assumption reflects a probability distribution of expected long-term returns that is weighted based upon plan asset allocations. A one-percentage-point decrease in the assumed discount rate would increase our recorded pension and other postretirement benefit liabilities by approximately \$93.7 million, while a one-percentage-point decrease (increase) in the expected long-term rate of return on plan assets would increase (decrease)

annual net benefits cost by approximately \$5.4 million. A one-percentage-point increase in the assumed healthcare cost trend rate has no impact on 2016 other postretirement benefit cost. To develop the expected long-term rate of return on assets assumption, we considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the plans' other asset classes, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based upon the current asset allocation to develop the expected long-term rate of return on assets assumption for the plan, which was reduced to 7.15% at December 31, 2016, from 7.30% at December 31, 2015.

Income taxes

In accordance with accounting guidelines for income tax uncertainties, we evaluate each tax position to determine if it is more likely than not that the tax position will be sustained upon examination, based on its merits. A tax position that meets the more-likely-than-not recognition threshold is subject to a measurement assessment to determine the amount of benefit to recognize in income for the period, and a reserve, if any. Our income tax returns are subject to audit by U.S. federal, state, and foreign tax authorities. Determinations by such taxing authorities that differ materially from our recorded estimates, either favorably or unfavorably, may have a material impact on our results of operations, financial position and cash flows. We believe our reserve for uncertain tax positions totaling \$120 million at December 31, 2016, is properly recorded in accordance with the accounting guidelines.

Recent Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk – Our outstanding debt at December 31, 2016, consisted entirely of fixed-rate debt with a carrying value of \$2.680 billion and a weighted-average annual interest rate of 5.8%. Due to the fixed-rate nature of our debt, management believes the risk of loss due to changes in market interest rates is not material.

Currency exchange rate risk – A substantial majority of our revenues are received in U.S. dollars, which is our functional currency. However, in certain countries in which we operate, local laws or contracts may require us to receive some payment in the local currency. We are exposed to foreign currency exchange risk to the extent the amount of our monetary assets denominated in the foreign currency differs from our obligations in that foreign currency. In order to mitigate the effect of exchange rate risk, we attempt to limit foreign currency holdings to the extent they are needed to pay liabilities in the local currency. Prior to 2016, we entered into spot purchases or short-term derivative transactions, such as forward exchange contracts, with one-month durations. We did not enter into such transactions for the purpose of speculation, trading or investing in the market and we believe that our use of forward exchange contracts has not exposed us to material credit risk or other material market risk. Although our risk policy allows us to enter into such forward exchange contracts, we do not currently anticipate entering into such transactions in the future and had no such contracts outstanding as of December 31, 2016.

Commodity price risk – Fluctuating commodity prices affect our future earnings materially to the extent that they influence demand for our products and services.

Fair Value Derivative Asset – At December 31, 2016, the fair value of the Contingent Payment Derivative related to the FMOG Provision was \$6.1 million. We estimate the fair value of this instrument using Monte Carlo simulation which takes into account a variety of factors including the Price Targets, the WTI Spot price, the expected volatility, the risk-free interest rate, the slope of the WTI forward curve, and the remaining contractual term of the FMOG Provision. We are required to revalue this instrument each quarter. We believe that the assumptions that have the greatest impact on the determination of fair value is the WTI Spot Price on the valuation date and the expected volatility. In January 2017, a portion of the Contingent Payment Derivative was settled with a \$6.0 million payment received by the Company. (see Note 1 of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K). The following table illustrates the potential effect on the fair value of the derivative asset at December 31, 2016 from changes in the assumptions made (in millions):

	Increase (Decrease) in Asset Value	
10% decrease in WTI spot price	\$	(3.3)
10% decrease in expected volatility	\$	0.2

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Rowan Companies plc
Houston, Texas

We have audited the accompanying consolidated balance sheets of Rowan Companies plc and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Rowan Companies plc and subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 24, 2017

ROWAN COMPANIES PLC

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Rowan is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Our internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of consolidated financial statements in accordance with accounting principles generally accepted in the United States, as well as to safeguard assets from unauthorized use or disposition.

We are required to assess the effectiveness of our internal controls relative to a suitable framework. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its *Internal Control - Integrated Framework* (2013), developed a formalized, organization-wide framework that embodies five interrelated components — the control environment, risk assessment, control activities, information and communication and monitoring, as they relate to three internal control objectives — operating effectiveness and efficiency, financial reporting reliability and compliance with laws and regulations.

Our assessment included an evaluation of the design of our internal control over financial reporting relative to COSO and testing of the operational effectiveness of our internal control over financial reporting. Based upon our assessment, we have concluded that our internal controls over financial reporting were effective as of December 31, 2016.

The independent registered public accounting firm Deloitte & Touche LLP has audited Rowan's consolidated financial statements and financial statement schedule included in our 2016 Annual Report on Form 10-K and has issued an attestation report on the Company's internal control over financial reporting.

/s/ THOMAS P. BURKE

Thomas P. Burke

President and Chief Executive Officer

/s/ STEPHEN M. BUTZ

Stephen M. Butz

Executive Vice President and Chief Financial Officer

February 24, 2017

February 24, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Rowan Companies plc
Houston, Texas

We have audited the internal control over financial reporting of Rowan Companies plc and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2016 of the Company and our report dated February 24, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 24, 2017

ROWAN COMPANIES PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	Years ended December 31,		
	2016	2015	2014
REVENUES	\$ 1,843.2	\$ 2,137.0	\$ 1,824.4
COSTS AND EXPENSES:			
Direct operating costs (excluding items below)	778.2	993.1	991.3
Depreciation and amortization	402.9	391.4	322.6
Selling, general and administrative	102.1	115.8	125.8
(Gain) loss on disposals of property and equipment	8.7	(7.7)	(1.7)
Gain on litigation settlement	—	—	(20.9)
Material charges and other operating items	32.9	337.3	574.0
Total costs and expenses	1,324.8	1,829.9	1,991.1
INCOME (LOSS) FROM OPERATIONS	518.4	307.1	(166.7)
OTHER INCOME (EXPENSE):			
Interest expense, net of interest capitalized	(155.5)	(145.3)	(103.9)
Interest income	3.8	1.1	1.8
Loss on debt extinguishment	(31.2)	(1.5)	—
Other - net	(9.9)	(3.7)	(0.8)
Total other (expense) - net	(192.8)	(149.4)	(102.9)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	325.6	157.7	(269.6)
Provision (benefit) for income taxes	5.0	64.4	(150.7)
INCOME (LOSS) FROM CONTINUING OPERATIONS	320.6	93.3	(118.9)
DISCONTINUED OPERATIONS, NET OF TAX	—	—	4.0
NET INCOME (LOSS)	\$ 320.6	\$ 93.3	\$ (114.9)
INCOME (LOSS) PER SHARE - BASIC:			
Income (loss) from continuing operations	\$ 2.56	\$ 0.75	\$ (0.96)
Discontinued operations	\$ —	\$ —	\$ 0.03
Net income (loss)	\$ 2.56	\$ 0.75	\$ (0.93)
INCOME (LOSS) PER SHARE - DILUTED:			
Income (loss) from continuing operations	\$ 2.55	\$ 0.75	\$ (0.96)
Discontinued operations	\$ —	\$ —	\$ 0.03
Net income (loss)	\$ 2.55	\$ 0.75	\$ (0.93)

See Notes to Consolidated Financial Statements.

ROWAN COMPANIES PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Years ended December 31,		
	2016	2015	2014
NET INCOME (LOSS)	\$ 320.6	\$ 93.3	\$ (114.9)
OTHER COMPREHENSIVE INCOME (LOSS)			
Net changes in pension and other postretirement plan assets and benefit obligations recognized in other comprehensive income, net of income tax expense (benefit) of \$(2.8), \$3.4, and (\$47.0), respectively	(5.1)	7.0	(87.3)
Net reclassification adjustments for amounts recognized in net income (loss) as a component of net periodic benefit cost, net of income tax expense of \$3.8, \$7.4, and \$5.3, respectively	7.4	13.8	9.8
	2.3	20.8	(77.5)
COMPREHENSIVE INCOME (LOSS)	\$ 322.9	\$ 114.1	\$ (192.4)

See Notes to Consolidated Financial Statements.

ROWAN COMPANIES PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except par value)

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,255.5	\$ 484.2
Receivables - trade and other	301.3	410.5
Prepaid expenses and other current assets	23.5	26.6
Total current assets	1,580.3	921.3
PROPERTY AND EQUIPMENT:		
Drilling equipment	8,965.3	8,930.4
Other property and equipment	135.5	137.7
Property and equipment - gross	9,100.8	9,068.1
Less accumulated depreciation and amortization	2,040.8	1,662.3
Property and equipment - net	7,060.0	7,405.8
Other assets	35.3	20.2
	\$ 8,675.6	\$ 8,347.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 126.8	\$ —
Accounts payable - trade	94.3	109.6
Deferred revenues	103.9	33.1
Accrued liabilities	158.8	186.0
Total current liabilities	483.8	328.7
Long-term debt, less current portion	2,553.4	2,692.4
Other liabilities	338.8	357.9
Deferred income taxes - net	185.7	195.8
Commitments and contingent liabilities (Note 8)		
SHAREHOLDERS' EQUITY:		
Class A Ordinary Shares, \$0.125 par value; 128.0 and 125.9 shares issued, respectively; 125.5 and 124.8 shares outstanding, respectively	16.0	15.7
Additional paid-in capital	1,471.7	1,458.5
Retained earnings	3,830.4	3,509.8
Cost of 2.5 and 1.1 treasury shares at December 31, 2016 and 2015, respectively	(7.2)	(12.2)
Accumulated other comprehensive loss	(197.0)	(199.3)
Total shareholders' equity	5,113.9	4,772.5
	\$ 8,675.6	\$ 8,347.3

See Notes to Consolidated Financial Statements.

ROWAN COMPANIES PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In millions)

	Shares outstanding	Class A Ordinary Shares/ Common stock	Additional paid-in capital	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, January 1, 2014	124.3	\$ 15.6	\$ 1,407.0	\$ 3,619.6	\$ (6.0)	\$ (142.4)	\$ 4,893.8
Net shares issued (acquired) under share-based compensation plans	0.3	—	1.6	—	(2.0)	—	(0.4)
Share-based compensation	—	—	28.4	—	—	—	28.4
Excess tax deficit from share-based awards	—	—	(0.1)	—	—	—	(0.1)
Retirement benefit adjustments, net of tax benefit of \$41.7	—	—	—	—	—	(77.5)	(77.5)
Dividends	—	—	—	(37.7)	—	—	(37.7)
Other	—	—	—	—	—	(0.2)	(0.2)
Net loss	—	—	—	(114.9)	—	—	(114.9)
Balance, December 31, 2014	124.6	15.6	1,436.9	3,467.0	(8.0)	(220.1)	4,691.4
Net shares issued (acquired) under share-based compensation plans	0.2	0.1	0.4	—	(4.2)	—	(3.7)
Share-based compensation	—	—	23.8	—	—	—	23.8
Excess tax deficit from share-based awards	—	—	(2.6)	—	—	—	(2.6)
Retirement benefit adjustments, net of tax expense of \$10.8	—	—	—	—	—	20.8	20.8
Dividends	—	—	—	(50.5)	—	—	(50.5)
Net income	—	—	—	93.3	—	—	93.3
Balance, December 31, 2015	124.8	15.7	1,458.5	3,509.8	(12.2)	(199.3)	4,772.5
Net shares issued (acquired) under share-based compensation plans	0.7	0.3	(9.8)	—	5.0	—	(4.5)
Share-based compensation	—	—	20.4	—	—	—	20.4
Excess tax benefit from share-based awards	—	—	2.6	—	—	—	2.6
Retirement benefit adjustments, net of tax expense of \$1.0	—	—	—	—	—	2.3	2.3
Net income	—	—	—	320.6	—	—	320.6
Balance, December 31, 2016	125.5	\$ 16.0	\$ 1,471.7	\$ 3,830.4	\$ (7.2)	\$ (197.0)	\$ 5,113.9

See Notes to Consolidated Financial Statements.

ROWAN COMPANIES PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 320.6	\$ 93.3	\$ (114.9)
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Depreciation and amortization	402.9	392.7	322.6
Provision for pension and postretirement benefits	15.0	34.0	25.1
Share-based compensation expense	34.6	33.6	34.5
(Gain) loss on disposals of property and equipment	8.7	(7.7)	(3.7)
Deferred income taxes	(37.9)	(1.1)	(182.5)
Contingent payment derivative	(6.1)	—	—
Asset impairment charges	34.3	329.8	574.0
Other	3.7	0.5	—
Changes in current assets and liabilities:			
Receivables - trade and other	109.2	134.7	(200.6)
Prepaid expenses and other current assets	9.2	0.6	16.3
Accounts payable	(4.0)	23.2	(20.6)
Accrued income taxes	(3.4)	10.6	4.9
Other current liabilities	(32.2)	(13.1)	72.9
Other postretirement benefit claims paid	(7.9)	(4.4)	(4.1)
Contributions to pension plans	(22.5)	(11.4)	(54.8)
Deferred revenues	63.7	(3.1)	(18.3)
Net changes in other noncurrent assets and liabilities	12.7	(15.3)	(27.8)
Net cash provided by operations	900.6	996.9	423.0
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(117.6)	(722.9)	(1,958.2)
Proceeds from disposals of property and equipment	6.2	19.4	22.0
Net cash used in investing activities	(111.4)	(703.5)	(1,936.2)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	500.0	220.0	793.4
Reduction of long-term debt	(511.8)	(317.9)	—
Dividends paid	—	(50.5)	(37.7)
Debt issue costs	(8.7)	—	(0.7)
Proceeds from exercise of share options	—	—	4.7
Excess tax benefits from share-based compensation	2.6	—	(0.1)
Net cash provided by (used in) financing activities	(17.9)	(148.4)	759.6
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	771.3	145.0	(753.6)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	484.2	339.2	1,092.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,255.5	\$ 484.2	\$ 339.2

See Notes to Consolidated Financial Statements.

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Rowan Companies plc, a public limited company incorporated under the laws of England and Wales, is a global provider of offshore contract drilling services to the international oil and gas industry. Our fleet currently consists of 29 mobile offshore drilling units, including 25 self-elevating jack-up drilling units and four ultra-deepwater drillships. We contract our drilling rigs, related equipment and work crews primarily on a day-rate basis in markets throughout the world, currently including the United States Gulf of Mexico (US GOM), United Kingdom (U.K.) and Norwegian sectors of the North Sea, the Middle East and Trinidad.

The consolidated financial statements included herein are presented in United States (U.S.) dollars and include the accounts of Rowan Companies plc (“Rowan plc”) and its direct and indirect subsidiaries. Unless the context otherwise requires, the terms “Rowan,” “Company,” “we,” “us” and “our” are used to refer to Rowan plc and its consolidated subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

The financial information presented in this report does not constitute the Company's statutory accounts within the meaning of the U.K. Companies Act 2006 for the years ended December 31, 2016 or 2015. The audit of the statutory accounts for the year ended December 31, 2016, was not complete as of February 24, 2017. These accounts will be finalized by the directors on the basis of the financial information presented herein and will be delivered to the Registrar of Companies in the U.K.

Customer Contract Termination and Settlement

On May 23, 2016, the Company reached an agreement with Freeport-McMoRan Oil and Gas LLC (“FMOG”) and its parent company, Freeport-McMoRan Inc. (“FCX”) in connection with the drilling contract for the drillship *Rowan Relentless* (“FMOG Agreement”), which was scheduled to terminate in June 2017. The FMOG Agreement provided that the drilling contract be terminated immediately, and that FCX pay the Company \$215 million to settle outstanding receivables and early termination of the contract, which was received in 2016. In addition, the Company signed rights to receive two additional contingent payments from FCX, payable on September 30, 2017, of \$10 million and \$20 million depending on the average price of West Texas Intermediate (“WTI”) crude oil over a 12-month period beginning June 30, 2016. The \$10 million payment will be due if the average price over the period is greater than \$50 per barrel and the additional \$20 million payment will be due if the average price over the period is greater than \$65 per barrel (“FMOG Provision”) (see Note 6). The Company warm-stacked the *Rowan Relentless* in order to reduce costs. During the quarter ended June 30, 2016, the Company recognized \$173.2 million in revenue for the *Rowan Relentless*, including \$130.9 million for the cancelled contract value, \$6.2 million for the fair value of the derivative associated with the FMOG Provision (see Note 6), \$5.6 million for previously deferred revenue related to the contract, and \$30.5 million for operations through May 22, 2016. In January 2017, the Company and FCX settled the \$10 million contingent payment provision with a \$6.0 million payment received by the Company.

Customer Contract Amendment

On September 15, 2016, the Company amended its contract with Cobalt International Energy, L.P. (“Cobalt”), for the drillship *Rowan Reliance*, which was scheduled to conclude on February 1, 2018. The amendment provided cash settlement payments to the Company totaling \$95.9 million, that the drillship remains at its current day rate of approximately \$582,000 and that the drilling contract may be terminated as early as March 31, 2017. The Company received cash payments totaling \$76.3 million in 2016 and expects to receive a final cash payment of \$19.6 million on or before March 31, 2017. In addition, if Cobalt continues its operations with the *Rowan Reliance* after March 31, 2017, the day rate will be reduced to approximately \$262,000 per day for the remaining operating days through February 1, 2018 (subject to further adjustment thereafter). Cobalt International Energy, Inc., the parent of Cobalt, also committed to use the Company as its exclusive provider of comparable drilling services for a period of five years. As the Company has the obligation and intent to have the drillship or a substitute available through the pre-amended contract scheduled end date, in certain circumstances, the \$95.9 million settlement was recorded as a deferred revenue liability. As of December 31, 2016, \$86.5 million and \$9.4 million of the deferred revenue liability is classified as current and noncurrent, respectively, and is included in Deferred Revenue, and Other Liabilities, respectively, in the Consolidated Balance Sheet. Amortization of deferred revenue will begin on April 1, 2017 and extend no further than the pre-amended contract scheduled end date.

Joint Venture

On November 21, 2016, Rowan and the Saudi Arabian Oil Company (“Saudi Aramco”), through their subsidiaries, entered into a Shareholders’ Agreement to create a 50 / 50 joint venture to own, manage and operate offshore drilling units in Saudi Arabia. The new entity is anticipated to commence operations in the second quarter of 2017.

At formation of the new company, each of Rowan and Saudi Aramco will contribute \$25 million to be used for working capital needs. The Asset Contribution and Transfer Agreements provide that at commencement of operations, Rowan will contribute three rigs and its local shore based operations, and Saudi Aramco will contribute two rigs and cash to maintain equal equity ownership in the new company. Rowan will then contribute two more rigs in late 2018 when those rigs complete their current contracts, and Saudi Aramco will make a matching cash contribution at that time. At the various asset contribution dates, excess cash is expected to be distributed in equal parts to the shareholders. Rigs contributed will receive contracts for an aggregate 15 years, renewed and re-priced every three years, provided that the rigs meet the technical and operational requirements of Saudi Aramco.

Rowan rigs in Saudi Arabia not selected for contribution will be managed by the new company until the end of their current contracts pursuant to a management services agreement that provides for a management fee equal to a percentage of revenue to cover overhead costs. After the management period ends, such rigs may be selected for contribution, lease, or they will be required to relocate outside of the Kingdom.

Each of Rowan and Saudi Aramco will be obligated to fund their portion of the purchase of up to 20 new build jack-up rigs ratably over 10 years. The first rig is expected to be delivered as early as 2021. The partners intend that the newbuild jack-up rigs will be financed out of available cash from operations and/or funds available from third party debt financing. Saudi Aramco as a customer will provide drilling contracts to support the new company in the acquisition of the new rigs. If cash from operations or financing is not available to fund the cost of the newbuild jack-up rig, each partner is obligated to contribute funds to purchase such rigs, up to a maximum amount of \$1.25 billion per partner in the aggregate for all 20 newbuild jack-up rigs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Expense Recognition

Our drilling contracts generally provide for payment on a daily rate basis, and revenues are recognized as the work progresses with the passage of time. We occasionally receive lump-sum payments at the outset of a drilling assignment for equipment moves or modifications. Lump-sum fees received for equipment moves (and related costs) and fees received for equipment modifications or upgrades are initially deferred and amortized on a straight-line basis over the primary term of the drilling contract. The costs of contractual equipment modifications or upgrades and the costs of the initial move of newly acquired rigs are capitalized and depreciated in accordance with the Company's fixed asset capitalization policy. The costs of moving equipment while not under contract are expensed as incurred. The following table sets forth deferred revenue (revenues received but unearned) and deferred contracts costs on the Consolidated Balance Sheets at December 31 (in millions):

		Balance Sheet Classification	2016	2015
Deferred revenue ⁽¹⁾				
Current	Deferred Revenue		\$ 103.9	\$ 33.1
Noncurrent	Other Liabilities		10.5	17.7
			<u>\$ 114.4</u>	<u>\$ 50.8</u>
Deferred contract costs				
Current	Prepaid Expenses and Other Current Assets		\$ 2.0	\$ 3.2
Noncurrent	Other Assets		0.2	1.2
			<u>\$ 2.2</u>	<u>\$ 4.4</u>

(1) 2016 Deferred revenue includes \$95.9 million (\$86.5 million and \$9.4 million, current and noncurrent, respectively) related to the Cobalt contract amendment (see Note 1).

We recognize revenue for certain reimbursable costs. Each reimbursable item and amount is stipulated in the Company's contract with the customer, and such items and amounts frequently vary between contracts. We recognize reimbursable costs on the gross basis, as both revenues and expenses, because we are the primary obligor in the arrangement, have discretion in supplier selection, are involved in determining product or service specifications and assume full credit risk related to the reimbursable costs.

Cash Equivalents

Cash equivalents consist of highly liquid temporary cash investments with maturities no greater than three months at the time of purchase.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable is stated at historical carrying value net of write-offs and allowance for doubtful accounts. The Company assesses the collectability of receivables and records adjustments to an allowance for doubtful accounts, which is recorded as an offset to accounts receivable, to cover the risk of credit losses. Any allowance is based on historical and other factors that predict collectability, including write-offs, recoveries and the evaluation and monitoring of credit quality. No allowance for doubtful accounts was required at December 31, 2016 or 2015 .

The following table sets forth the components of Receivables - Trade and Other at December 31 (in millions):

	2016	2015
Trade	\$ 286.2	\$ 395.7
Income tax	7.7	4.5
Other	7.4	10.3
Total receivables - trade and other	<u>\$ 301.3</u>	<u>\$ 410.5</u>

Property and Depreciation

We provide depreciation for financial reporting purposes under the straight-line method over the asset's estimated useful life from the date the asset is placed into service until it is sold or becomes fully depreciated. In 2014, we reduced salvage values for our jack-up rigs from 20 percent to 10 percent of historical cost effective December 31, 2014, in connection with the completion of our asset impairment test. Estimated useful lives and salvage values are presented below:

	Life (in years)	Salvage Value
Jack-up drilling rigs:		
Hulls	25 to 35	10%
Legs	25 to 30	10%
Quarters	25	10%
Drilling equipment	2 to 25	0% to 10%
Drillships:		
Hulls	35	10%
Drilling equipment	2 to 25	0% to 10%
Drill pipe and tubular equipment	4	10%
Other property and equipment	3 to 30	various

Expenditures for new property or enhancements to existing property are capitalized and depreciated over the asset's estimated useful life. As assets are sold or retired, property cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in results of operations. The Company capitalized a portion of interest cost incurred during the drillship construction period, which ended in 2015 with the completion of the drillship construction program. We capitalized interest in the amount of \$16.2 million in 2015 and \$57.6 million in 2014 . We did not capitalize interest in 2016.

Expenditures for maintenance and repairs are charged to expense as incurred and totaled \$118 million in 2016 , \$129 million in 2015 and \$161 million in 2014 .

Impairment of Long-lived Assets

We review the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. For assets held and used, we determine recoverability by evaluating the undiscounted estimated future net cash flows based on projected day rates, operating costs, capital requirements and utilization of the asset under review. When the impairment of an asset is indicated, we measure the amount of impairment as the amount by which the asset's

carrying amount exceeds its estimated fair value. We measure fair value by estimating discounted future net cash flows under various operating scenarios (an income approach) and by assigning probabilities to each scenario in order to determine an expected value. The lowest level of inputs we use to value assets held and used in the business are categorized as “significant unobservable inputs,” which are Level 3 inputs in the fair value hierarchy. For assets held for sale, we measure fair value based on equipment broker quotes, less anticipated selling costs, which are considered Level 3 inputs in the fair value hierarchy.

In 2016, we conducted an impairment test of our assets and determined that the carrying values for five of our jack-up drilling units aggregating \$43.6 million were not recoverable and as a result, we recognized a non-cash impairment charge of \$34.3 million in 2016. In 2015, we conducted an impairment test of our assets and determined that the carrying values for ten of our jack-up drilling units aggregating \$ 457.8 million were not recoverable, and as a result, we recognized a non-cash impairment charge of \$ 329.8 million in 2015. In 2014, we conducted an impairment test and determined that the carrying values for twelve of our jack-ups aggregating \$840.8 million were not recoverable, and as a result, we recognized a non-cash impairment charge of \$565.7 million in 2014. We measured fair values using the income approach described above. Our fair value estimates required us to use significant unobservable inputs, which are internally developed assumptions not observable in the market, including assumptions related to future demand for drilling services, estimated availability of rigs and future day rates, among others. The impairments recognized in 2016, 2015 and 2014 on our jack-up rigs are included in jack-up operations in the segment information in Note 13.

Additionally, in 2014, we recognized an \$8.3 million non-cash impairment charge for the carrying value of a Company aircraft, which was used to support operations. We sold the aircraft later in 2014 and recognized an immaterial loss on sale. The asset had a carrying value of \$12.7 million prior to the write-down. The amount of the impairment was based on actual sales prices for similar equipment obtained from a third-party dealer of such equipment. Quoted prices in active markets for similar equipment are considered a Level 2 input in the fair value hierarchy. The impairment recognized on the Company aircraft in 2014 is included in “Unallocated costs and other” of the segment information in Note 13.

Impairment charges are included in Material Charges and Other Operating Items on the Consolidated Statements of Operations.

Share-based Compensation

We recognize compensation cost for employee share-based awards on a straight-line basis over a 36 -month service period. For employees who are retirement-eligible at the grant date or who will become retirement-eligible within six months of the grant date, compensation cost is recognized over a minimum period of six months. Compensation cost for employees who become retirement eligible after six months following the grant date but before the 36 -month maximum service period is amortized over the period from the grant date to the date the employee meets the retirement eligibility requirements.

Fair value of restricted shares and restricted share units awarded to employees is based on the market price of the shares on the date of grant. Compensation cost is recognized for awards that are expected to vest and is adjusted in subsequent periods if actual forfeitures differ from estimates.

Non-employee directors may annually elect to receive either deferred or non-deferred annual equity awards. Both deferred and non-deferred awards granted to non-employee directors vest at the earlier of the first anniversary of the grant date or the next annual meeting of shareholders following the grant date but deferred awards are not settled (in cash or shares at the discretion of the Compensation Committee) until the director terminates service from the Board and non-deferred awards are settled upon vesting (in shares for awards made in 2016). Compensation cost for both deferred and non-deferred awards are recognized over the service period which is up to one year. Deferred awards (“Director RSUs”) are accounted for under the liability method of accounting, the fair value is based on the market price of the underlying shares on the grant date, and compensation expense is adjusted for changes in fair value at each report date through the settlement date. Non-deferred awards (“Director RSAs”) are accounted for as equity awards and the fair value is based on the market price of the underlying shares on the grant date.

Performance-based awards consist of Performance Units (“P-Units”), in which the payment is contingent on the Company's total shareholder return relative to the selected industry peer group. Fair value of P-Units is determined using a Monte-Carlo simulation model. P-Units granted prior to 2016 are settled in cash and P-Units granted in 2016 or after may be settled in cash or shares at the Compensation Committee's discretion. All P-Units are accounted for under the liability method of accounting. Compensation cost is recognized on a straight-line basis over the service period and is adjusted for changes in fair value at each report date through the end of the performance period.

Fair value of share appreciation rights (“SARs”) is determined using the Black-Scholes option pricing model. The Company uses the simplified method for determining the expected life of SARs, because it does not have sufficient historical exercise data to provide a reasonable basis on which to estimate expected term, as permitted under US GAAP. The Company has not granted any SARs since 2013. The Company intends to share-settle SARs that are exercised and has therefore accounted for them as equity awards.

Foreign Currency Transactions

A substantial majority of our revenues are received in U.S. dollars, which is our functional currency. However, in certain countries in which we operate, local laws or contracts may require us to receive some payment in the local currency. We are exposed to foreign currency exchange risk to the extent the amount of our monetary assets denominated in the foreign currency differs from our obligations in that foreign currency. In order to mitigate the effect of exchange rate risk, we attempt to limit foreign currency holdings to the extent they are needed to pay liabilities in the local currency. Prior to 2016, we entered into spot purchases or short-term derivative transactions, such as forward exchange contracts, with one-month durations. We did not enter into such transactions for the purpose of speculation, trading or investing in the market and we believe that our use of forward exchange contracts has not exposed us to material credit risk or other material market risk. Although our risk policy allows us to enter into such forward exchange contracts, we do not currently anticipate entering into such transactions in the future and had no such contracts outstanding as of December 31, 2016.

At December 31, 2016 and 2015, we held Egyptian pounds in the amount of \$5.1 million and \$13.5 million, respectively, of which \$ 4.2 million and \$13.5 million are classified as Other Assets on the Consolidated Balance Sheets. We ceased drilling operations in Egypt in 2014, and are currently working to obtain access to the funds for use outside Egypt to the extent they are not utilized. We can provide no assurance we will be able to convert or utilize such funds in the future.

Non-U.S. dollar transaction gains and losses are recognized in "other - net" on the Consolidated Statements of Income. The Company recognized net currency exchange losses of \$9.7 million, \$3.9 million and \$0.05 million in 2016, 2015 and 2014, respectively. In 2016, the exchange loss was primarily due to the devaluation of the Egyptian pound.

Income Taxes

Rowan recognizes deferred income tax assets and liabilities for the estimated future tax consequences of differences between the financial statement and tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets that are not likely to be realized. Interest and penalties related to income taxes are included in income tax expense.

The Company has not provided deferred income taxes on certain undistributed earnings of its non-U.K. subsidiaries. Generally, earnings of non-U.K. subsidiaries in which Rowan Companies Inc. (RCI) does not have a direct or indirect ownership interest can be distributed to Rowan plc without the imposition of either U.K. or local country tax. It is generally the Company's policy and intention to permanently reinvest earnings of non-U.S. subsidiaries of RCI outside the U.S. However, we have recognized taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future. See Note 12 for further information regarding the Company's income taxes.

Income (Loss) Per Common Share

Basic income (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted income per share includes the additional effect of all potentially dilutive securities outstanding during the period, which includes nonvested restricted stock, restricted stock units, P-Units, share options and share appreciation rights granted under share-based compensation plans. The effect of share equivalents is not included in the computation for periods in which a net loss occurs because to do so would be anti-dilutive.

A reconciliation of income (loss) from continuing operations for basic and diluted income per share is set forth below (in millions):

	2016	2015	2014
Income (loss) from continuing operations	\$ 320.6	\$ 93.3	\$ (118.9)
Income from continuing operations allocated to non-vested share awards	1.5	—	—
Income (loss) from continuing operations available to shareholders	<u>\$ 322.1</u>	<u>\$ 93.3</u>	<u>\$ (118.9)</u>

A reconciliation of shares for basic and diluted income per share is set forth below (in millions):

	2016	2015	2014
Average common shares outstanding	125.3	124.5	124.1
Effect of dilutive securities - share based compensation	1.0	0.7	—
Average shares for diluted computations	<u>126.3</u>	<u>125.2</u>	<u>124.1</u>

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Share options, share appreciation rights, nonvested restricted stock, P-Units and restricted share units granted under share-based compensation plans are anti-dilutive and excluded from diluted earnings per share when the hypothetical number of shares that could be repurchased under the treasury stock method exceeds the number of shares that can be exercised, or when the Company reports a net loss from continuing operations. Anti-dilutive shares, which could potentially dilute earnings per share in the future, are set forth below (in millions):

	2016	2015	2014
Share options and appreciation rights	\$ 1.6	\$ 1.2	\$ 2.2
Nonvested restricted shares and restricted share units	0.9	1.1	0.6
Total potentially dilutive shares	\$ 2.5	\$ 2.3	\$ 2.8

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASC 606), which sets forth a global standard for revenue recognition and replaces most existing industry-specific guidance. We will be required to adopt the new standard in annual and interim periods beginning January 1, 2018. ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We will adopt ASC 606, effective January 1, 2018 concurrently with ASU No. 2016-02, *Leases* (ASC 842) as discussed below. We are currently evaluating the impact ASC 606 will have on our consolidated financial statements and to complete that evaluation, we have completed training on the ASU, formed an implementation team and have started the review and documentation of contracts.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires entities to present deferred tax assets and deferred tax liabilities in balance sheets as noncurrent. We will be required to adopt the new standard in annual and interim periods beginning January 1, 2017. The amendments in this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. In order to simplify accounting for deferred tax assets and liabilities, the Company has adopted the accounting standard in the beginning of the fourth quarter of fiscal 2016. The change in accounting standard has been applied retrospectively with no impact to the prior period consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASC 842): Amendments to the FASB Accounting Standards Codification, which requires an entity to recognize lease assets and lease liabilities on the balance sheet and to disclose key qualitative and quantitative information about the entity's leasing arrangements. Lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, including a number of optional practical expedients that entities may elect to apply. ASC 842 is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. Under the updated accounting standards, we have preliminarily determined that our drilling contracts contain a lease component, and our adoption, therefore, will require that we separately recognize revenues associated with the lease and services components. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances, and such effect could result in differences in the timing of our revenue recognition relative to current accounting standards. Due to the interaction with the issued accounting standard on revenue recognition, we expect to adopt ASC 842 effective January 1, 2018 concurrently with ASC 606. Our adoption will have an impact on how our consolidated balance sheets, statements of income, cash flows and on the disclosures contained in our notes to consolidated financial statements will be presented. We are currently evaluating the impact ASC 842 will have on our consolidated financial statements and to complete that evaluation, we have completed training on the ASU, formed an implementation team and have started the review and documentation of contracts.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-based Payment Accounting*, which simplifies several aspects of accounting for employee share-based payment awards, including the accounting for income taxes, withholding taxes and forfeitures, as well as classification on the statement of cash flows. We will adopt this ASU as of January 1, 2017 and we expect that its impact will not be material to our consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. We will be required to adopt the amended guidance in annual and interim reports beginning January 1, 2020, with early adoption permitted for fiscal years beginning after December 15, 2018. We are in the process of evaluating the impact this amendment will have on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight cash flow classification issues with the objective of reducing differences

in practice. We will be required to adopt the amendments in this ASU in annual and interim periods beginning January 1, 2018, with early adoption permitted. Adoption is required to be on a retrospective basis, unless impracticable for any of the amendments, in which case a prospective application is permitted. We are in the process of evaluating the impact these amendments will have on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. We will be required to adopt the amendments in this ASU in the annual and interim periods beginning January 1, 2018, with early adoption permitted at the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The application of the amendments will require the use of a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are evaluating the standard for potential early adoption in our first quarter of 2017 and estimate a \$205 - \$211 million increase to retained earnings for the remaining unamortized deferred tax liability resulting from intra-entity transactions.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. We will be required to adopt the amendments in this ASU in annual and interim periods beginning January 1, 2018, with early adoption permitted. Adoption is required to be applied on a prospective basis on or after the effective date. We are in the process of evaluating the impact these amendments will have on our consolidated financial statements.

NOTE 3 – DISCONTINUED OPERATIONS

In 2014 we sold a land rig that was retained in connection with the 2011 sale of the Company's manufacturing business. The Company received \$6.0 million in cash resulting in a \$4.0 million gain, net of a \$2.1 million income tax benefit. The net gain on sale is classified as discontinued operations.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities at December 31 consisted of the following (in millions):

	2016	2015
Pension and other postretirement benefits	\$ 32.1	\$ 31.4
Compensation and related employee costs	62.4	73.6
Interest	33.6	44.3
Income taxes	18.3	23.9
Other	12.4	12.8
Total accrued liabilities	<u>\$ 158.8</u>	<u>\$ 186.0</u>

NOTE 5 – LONG-TERM DEBT

Long-term debt at December 31 consisted of the following (in millions):

	2016	2015
5% Senior Notes, due September 2017 (\$92.2 million and \$366.6 million principal amount, respectively; 5.2% effective rate)	\$ 92.0	\$ 365.5
7.875% Senior Notes, due August 2019 (\$209.8 million and \$435.5 million principal amount, respectively; 8.0% effective rate)	208.9	432.9
4.875% Senior Notes, due June 2022 (\$690.2 million and \$700 million principal amount, respectively; 4.7% effective rate)	695.4	706.2
4.75% Senior Notes, due January 2024 (\$398.1 million and \$400 million principal amount, respectively; 4.8% effective rate)	395.6	397.1
7.375% Senior Notes, due June 2025 (\$500 million principal amount; 7.4% effective rate)	497.2	—
5.4% Senior Notes, due December 2042 (\$400 million principal amount; 5.4% effective rate)	394.9	394.7
5.85% Senior Notes, due January 2044 (\$400 million principal amount; 5.9% effective rate)	396.2	396.0
Total carrying value	2,680.2	2,692.4
Current portion ⁽¹⁾	126.8	—
Carrying value, less current portion	\$ 2,553.4	\$ 2,692.4

(1) Current portion of long-term debt includes the 5% Senior Notes due 2017, as well as the portion of 7.875% Senior Notes due 2019 and 4.875% Senior Notes due 2022 tendered in December 2016 but not settled until January 2017.

The following is a summary of scheduled long-term debt maturities by year, as of December 31, 2016 (in millions):

2017	\$ 92.2
2018	—
2019	209.8
2020	—
2021	—
Thereafter	2,388.3
	\$ 2,690.3

In January 2014, Rowan plc, as guarantor, and its 100% owned subsidiary, RCI, as issuer, completed the issuance and sale in a public offering of \$400 million aggregate principal amount of its 4.75% Senior Notes due 2024 (the "2024 Notes") at a price to the public of 99.898% of the principal amount and \$400 million aggregate principal amount of its 5.85% Senior Notes due 2044 ("the 2044 Notes") at a price to the public of 99.972% of the principal amount. Net proceeds of the offering were approximately \$792 million, which the Company used in its rig construction program and for general corporate purposes.

In May 2015, the Company amended and restated its revolving credit agreement to increase the borrowing capacity under the facility from \$1 billion to \$1.5 billion and to extend the maturity date by one year to January 2020. In January 2016, the Company further amended the revolving credit agreement to extend the maturity date by one year to January 2021. Availability under the facility is \$1.5 billion through January 23, 2019, declining to \$1.44 billion through January 23, 2020, and to approximately \$1.29 billion through the maturity in 2021. There were no amounts drawn under the revolving credit agreement at December 31, 2016.

Advances under the revolving credit agreement bear interest at LIBOR or Base Rate plus an applicable margin, which is dependent upon the Company's credit ratings. The applicable margins for LIBOR and Base Rate advances range from 1.125% - 2.0% and 0.125% - 1.0%, respectively. The Company is also required to pay a commitment fee on undrawn amounts of the credit agreement, which ranges from 0.125% to 0.35%, depending on the Company's credit ratings.

The revolving credit agreement requires the Company to maintain a total debt-to-capitalization ratio of less than or equal to 60%. Additionally, the credit agreement has customary restrictive covenants that, including others, restrict the Company's ability to incur certain debt and liens, enter into certain merger and acquisition agreements, sell, transfer, lease or otherwise dispose of all or substantially all of the Company's assets and substantially change the character of the Company's business from contract drilling.

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During 2015, the Company paid \$101.1 million in cash to retire \$97.9 million aggregate principal amount of 5% Senior Notes due 2017 (the “2017 Notes”) and 7.875% Senior Notes due 2019 (the “2019 Notes”), plus accrued interest, and recognized a \$1.5 million loss on early extinguishment of debt.

During the first half of 2016, the Company paid \$45.2 million in cash to retire \$47.9 million aggregate principal amount of the 2017 Notes and the 2019 Notes, and recognized a \$2.4 million gain on early extinguishment of debt.

In December 2016, the Company commenced cash tender offers for \$750 million aggregate principal amount of certain Senior Notes (as defined below) issued by the Company, which such tender offers expired on January 3, 2017. Senior Notes validly tendered and accepted for purchase prior to the early tender expiration time on December 16, 2016, received tender offer consideration plus an early tender premium. As a result of the tender offers, in December 2016, the Company paid \$490.5 million to redeem \$463.9 million aggregate principal amount of outstanding Senior Notes, consisting of \$265.5 million of the 2017 Notes, \$186.7 million of the 2019 Notes, \$9.8 million of 4.875% Senior Notes due 2022 (“the 2022 Notes”) and \$1.9 million of the 2024 Notes, and recognized a \$33.6 million loss on the early extinguishment of debt which included approximately \$5.9 million of bank and legal fees.

On December 19, 2016, Rowan plc, as guarantor, and its 100% owned subsidiary, RCI, as issuer, completed the issuance of \$500 million aggregate principal amount of its 7.375% Senior Notes due 2025 (the “2025 Notes”) at a price of 100% of the principal amount. The Company used the net proceeds of the offering, approximately \$492 million, along with cash on hand, to fund the redemption of Senior Notes related to the tender offers. \$5.3 million of the cash paid to the underwriting banks in the form of the underwriters discount and structuring fee was expensed and included in the \$33.6 million loss on early extinguishment of debt related to the December 2016 tender offers. Interest on the 2025 Notes is payable on June 15 and December 15 of each year, beginning on June 15, 2017. The 2025 Notes contain a provision whereby upon a change of control repurchase event, as defined in the indenture governing the 2025 Notes, the Company may be required to make an offer to repurchase all outstanding notes at a price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus any accrued and unpaid interest to the repurchase date. Otherwise, the 2025 Notes contain substantially the same provisions as the Company’s other Senior Notes.

In January 2017, at the expiration of the tender offers, the Company paid \$32.8 million to redeem \$34.6 million aggregate principal amount of outstanding Senior Notes, consisting of \$0.1 million of the 2017 Notes, \$0.9 million of the 2019 Notes and \$33.6 million of the 2022 Notes.

On January 9, 2017, the Company called for redemption \$92.1 million aggregate principal amount of the 2017 Notes that remained outstanding and on February 8, 2017, the Company paid \$94.0 million to redeem such notes.

The 2017 Notes, 2019 Notes, 2022 Notes, 2024 Notes, 2025 Notes, 5.4% Senior Notes due 2042, and 2044 Notes (together, the “Senior Notes”) are RCI’s senior unsecured obligations and rank senior in right of payment to all of its subordinated indebtedness and *pari passu* in right of payment with any of RCI’s future senior indebtedness, including any indebtedness under RCI’s senior revolving credit facility. The Senior Notes rank effectively junior to RCI’s future secured indebtedness, if any, to the extent of the value of its assets constituting collateral securing that indebtedness and to all existing and future indebtedness of its subsidiaries (other than indebtedness and liabilities owed to RCI).

All or part of the Senior Notes may be redeemed at any time for an amount equal to 100% of the principal amount plus accrued and unpaid interest to the redemption date plus the applicable make-whole premium, if any.

The Senior Notes are fully and unconditionally guaranteed on a senior and unsecured basis by Rowan plc (see Note 16).

Restrictive provisions in the Company’s bank credit facility agreement limit consolidated debt to 60% of book capitalization. Our consolidated debt to total capitalization ratio at December 31, 2016, was 34%.

Other provisions of the Company’s debt agreements limit the ability of the Company to create liens that secure debt, engage in sale and leaseback transactions, merge or consolidate with another company and, in the event of noncompliance, restrict investment activities and asset purchases and sales, among other things. The Company was in compliance with its debt covenants at December 31, 2016.

NOTE 6 – DERIVATIVES

The Company determined that the FMOG Provision of the FMOG Agreement is a freestanding financial instrument and that it met the criteria of a derivative instrument (“Contingent Payment Derivative”). The Contingent Payment Derivative was initially recorded to revenue at a fair value of \$6.2 million on May 23, 2016, and will be revalued at each reporting date with changes in the fair value reported as non-operating income or expense. The fair value of the Contingent Payment Derivative was determined using a Monte Carlo simulation (see Note 7). In January 2017, the Company and FCX settled a portion of the derivative instrument

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with a \$6.0 million payment received by the Company (see Note 1).

The following table provides the fair value of the Company's derivative as reflected in the Consolidated Balance Sheet at December 31, 2016 (in millions):

Balance sheet classification	Fair value
Derivative:	
Contingent Payment Derivative	
Prepaid expenses and other current assets	\$ 6.1

The following table provides the revaluation effect of the Company's derivative on the Consolidated Statement of Operations for the year ended December 31, 2016 (in millions):

Derivative	Classification of gain (loss) recognized in income (loss)	Amount of gain (loss) recognized in income (loss)
Contingent Payment Derivative	Other - net	\$ (0.1)

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prescribed by US GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

- Level 1 – Quoted prices for identical instruments in active markets;
- Level 2 – Quoted market prices for similar instruments in active markets; quoted prices for identical instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as those used in pricing models or discounted cash flow methodologies, for example.

The applicable level within the fair value hierarchy is the lowest level of any input that is significant to the fair value measurement.

Derivative

The fair value of the Contingent Payment Derivative (Level 3) was estimated using a Monte Carlo simulation model, which calculates the probabilities of the daily closing WTI spot price exceeding the \$50 price target and the \$65 price target ("Price Targets"), respectively, on a daily averaging basis during the 12 -month payment measurement period ending on June 30, 2017. The probabilities are applied to the payout at each Price Target to calculate the probability-weighted expected payout. The following are the significant inputs used in the valuation of the Contingent Payment Derivative: the WTI Spot Price on the valuation date, the expected volatility, and the risk-free interest rate, and the slope of the WTI forward curve, which were \$47.48 , 37.5% , 0.765% and 5.5% at May 23, 2016, respectively, and \$53.72 , 28.557% , 0.734% , and 11.205% at December 31, 2016 , respectively. The expected volatility was estimated from the implied volatility rates of WTI Crude Futures. The risk-free rate was based on yields of U.S. Treasury securities commensurate with the remaining term of the Contingent Payment Derivative. In January 2017, the Company and FCX settled a portion of the derivative instrument with a \$6.0 million payment received by the Company (see Note 1).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at December 31 are presented below (in millions):

	Fair value	Estimated fair value measurements		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2016:				
Assets - cash equivalents	\$ 1,242.3	\$ 1,242.3	\$ —	\$ —
Derivative	6.1	—	—	6.1
Other assets (Egyptian Pounds)	4.2	4.2	—	—
December 31, 2015:				
Assets - cash equivalents	\$ 465.4	\$ 465.4	\$ —	\$ —
Other assets (Egyptian Pounds)	13.5	13.5	—	—

At December 31, 2016, the Company held a Contingent Payment Derivative in the amount of \$6.1 million, which is classified as Prepaid Expenses and Other Current Assets on the Consolidated Balance Sheet.

At December 31, 2016 and 2015, we held Egyptian pounds in the amount of \$4.2 million and \$13.5 million, respectively, that are classified as Other Assets on the Consolidated Balance Sheets. We ceased drilling operations in Egypt in 2014, and are currently working to obtain access to the funds for use outside Egypt to the extent they are not utilized. We can provide no assurance we will be able to convert or utilize such funds in the future.

Trade receivables and trade payables, which are required to be measured at fair value, have carrying values that approximate their fair values due to their short maturities.

Assets Measured at Fair Value on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis and whose carrying values were remeasured during the year ended December 31 are set forth below (in millions):

	Fair value	Estimated fair value measurements			Total gains (losses)
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
2016:					
Property and equipment, net ⁽¹⁾	\$ 9.3	\$ —	\$ —	\$ 9.3	\$ (34.3)
2015:					
Property and equipment, net ⁽²⁾	\$ 128.0	\$ —	\$ —	\$ 128.0	\$ (329.8)
2014:					
Property and equipment, net ⁽³⁾	\$ 275.1	\$ —	\$ —	\$ 275.1	\$ (565.7)

(1) This represents a non-recurring fair value measurement made at September 30, 2016 for five of our jack-up drilling units.

(2) This represents a non-recurring fair value measurement made at September 30, 2015 for ten of our jack-up drilling units.

(3) This represents a non-recurring fair value measurement made at December 31, 2014 for twelve of our jack-up drilling units.

In 2016, we recognized non-cash asset impairment charges aggregating \$34.3 million on five of the Company's jack-up drilling units having an aggregate net carrying value of \$43.6 million prior to the write-downs. Two of these jack-up drilling units were sold in the fourth quarter of 2016 for gross proceeds of approximately \$5.0 million and the Company recognized a net loss on sale of \$1.2 million. In 2015, we recognized non-cash asset impairment charges aggregating \$329.8 million on ten of the Company's jack-up drilling units having an aggregate net carrying value of \$457.8 million prior to the write-down. In 2014, we recognized

asset impairment charges totaling \$565.7 million on twelve jack-up drilling units having an aggregate net carrying value of \$840.8 million prior to the write-down. Impairment charges are included in Material Charges and Other Operating Items on the Consolidated Statements of Operations (see "Impairment of Long-lived Assets" in Note 2). The financial information for these rigs has been reported as part of the jack-ups segment.

Other Fair Value Measurements

Financial instruments not required to be measured at fair value consist of the Company's publicly traded debt securities. Our publicly traded debt securities had a carrying value of \$2.680 billion at December 31, 2016, and an estimated fair value at that date aggregating \$2.448 billion, compared to a carrying and fair value of \$2.692 billion and \$2.072 billion, respectively, at December 31, 2015. Fair values of our publicly traded debt securities were provided by a broker who makes a market in such securities and were measured using a market-approach valuation technique, which is a Level 2 fair value measurement.

Concentrations of Credit Risk

We invest our excess cash primarily in time deposits and high-quality money market accounts at several large commercial banks with strong credit ratings, and therefore believe that our risk of loss is minimal.

The Company's customers largely consist of major international oil companies, national oil companies and large investment-grade exploration and production companies. We routinely evaluate and monitor the credit quality of potential and current customers. Five customers, Saudi Aramco, Freeport-McMoRan, Cobalt International, Repsol and ConocoPhillips accounted for 20%, 12%, 12%, 12% and 11%, respectively, of consolidated revenues in 2016 and 32%, 0%, 19%, 12% and 8%, respectively, of the consolidated trade receivable balance at December 31, 2016. Saudi Aramco and ConocoPhillips revenue was derived from our jack-up segment, and Repsol and Cobalt International revenue, as well as nearly all of Freeport-McMoRan revenue, was derived from our deepwater segment. Three customers, Saudi Aramco, ConocoPhillips, and Anadarko accounted for 19%, 13% and 10%, respectively, of consolidated revenues in 2015 and 34%, 12% and 9% respectively, of the consolidated trade receivable balance at December 31, 2015. In 2014, one customer accounted for 24% of consolidated revenues. The Company maintains reserves for credit losses when necessary and actual losses have been within management's expectations.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

The Company has operating leases covering office space and equipment. Certain of the leases are subject to escalations based on increases in building operating costs. Rental expense attributable to continuing operations was \$10.6 million, \$13.2 million and \$13.8 million in 2016, 2015 and 2014, respectively.

At December 31, 2016, future minimum payments to be made under noncancelable operating leases were as follows (in millions):

2017	\$	7.2
2018		6.4
2019		5.7
2020		4.0
2021		1.2
Later years		10.7
	\$	<u>35.2</u>

We had commitments for purchase obligations totaling \$62 million at December 31, 2016.

We periodically employ letters of credit in the normal course of our business, and had outstanding letters of credit of approximately \$2.9 million at December 31, 2016.

If the new joint venture company has insufficient cash from operations or financing is not available to fund the cost of the newbuild jack-up rigs, Rowan will be obligated to contribute funds to purchase such rigs, up to a maximum amount of \$1.25 billion for all 20 newbuild jack-up rigs (see Note 1).

Uncertain tax positions – We have been advised by the U.S. Internal Revenue Service (IRS) of proposed unfavorable tax adjustments of \$85 million including applicable penalties for the open tax years 2009 through 2012. The unfavorable tax adjustments primarily related to the following items: 2009 tax benefits recognized as a result of applying the facts of a third-party tax case that provided favorable tax treatment for certain foreign contracts entered into in prior years to the Company's situation; transfer pricing; and domestic production activity deduction. The IRS does not agree with our protest and they have submitted the proposed

unfavorable tax adjustments to be reviewed by the IRS Appeals group. In years subsequent to 2012, we have similar positions that could be subject to adjustments for the open years. We have provided for amounts that we believe will be ultimately payable under the proposed adjustments and intend to vigorously defend our positions; however, if we determine the provisions for these matters to be inadequate due to new information or we are required to pay a significant amount of additional U.S. taxes and applicable penalties and interest in excess of amounts that have been provided for these matters, our consolidated results of operations and cash flows could be materially and adversely affected.

The gross unrecognized tax benefits excluding penalties and interest are \$120 million and \$65 million as of December 31, 2016 and 2015, respectively. The increase to gross unrecognized tax benefits was primarily due to tax positions taken of \$11 million related to current year-to-date anticipated transfer pricing positions and \$42 million related to prior year U.S. interest deductions. Reversal of net unrecognized tax benefits excluding penalties and interest would impact our tax by \$59 million.

It is reasonable that the existing liabilities for the unrecognized tax benefits may increase or decrease over the next 12 months as a result of audit closures and statute expirations, however, the ultimate timing of the resolution and/or closure of audits is highly uncertain.

Pending or threatened litigation – We are involved in various legal proceedings incidental to our businesses and are vigorously defending our position in all such matters. Although the outcome of such proceedings cannot be predicted with certainty, the Company believes that there are no known contingencies, claims or lawsuits that will have a material effect on its financial position, results of operations or cash flows.

NOTE 9 – SHARE-BASED COMPENSATION PLANS

Under the 2013 Rowan Companies plc Incentive Plan (the Plan), as amended in 2016, the Compensation Committee is authorized to grant employees and non-employee directors incentive awards up to 15,300,000 of our ordinary shares. The awards may be in the form of restricted share awards, restricted share units, options and share appreciation rights. In addition, the Compensation Committee may grant performance-based awards under the Plan (such as P-Units which may be settled in shares or cash, at the discretion of the Compensation Committee), for which the amount earned is dependent on the achievement of certain market or performance conditions over a specified period. As of December 31, 2016, there were 8,950,686 shares available for future grant under the Plan. Shares issued to satisfy awards to employees are issued from our employee benefit trust which are deemed treasury shares, while shares issued to satisfy awards to non-employee directors are newly issued shares.

Compensation cost charged to expense under all share-based incentive awards is presented below (in millions):

	2016	2015	2014
Restricted shares and restricted share units	\$ 21.8	\$ 22.5	\$ 23.6
Share appreciation rights	0.2	1.1	3.7
Performance-based awards	12.6	10.0	7.2
Total compensation cost	<u>\$ 34.6</u>	<u>\$ 33.6</u>	<u>\$ 34.5</u>

As of December 31, 2016, unrecognized compensation cost related to nonvested share-based compensation arrangements totaled \$29.7 million, which is expected to be recognized over a weighted-average period of 1.5 years.

Restricted Shares (Employees and Non-employee Directors) – A restricted share represents an ordinary share subject to a vesting period that restricts its sale or transfer until the vesting period ends. In general, the restricted shares granted to employees vested and the restrictions lapsed in one-third increments each year over a three-year service period, or in some cases, cliff vested at the end of a three-year service period. The Company discontinued granting restricted shares as annual awards to employees beginning in 2013 and all restricted shares granted to employees were vested as of December 31, 2016.

Non-employee directors may annually elect to receive either deferred or non-deferred annual equity awards. Both deferred awards (in 2016, in the form of Director RSUs discussed in Note 2 and below) and non-deferred awards (in 2016, in the form of Director RSAs) vest at the earlier of the first anniversary of the grant date or the next annual meeting of shareholders following the grant date. Non-deferred awards (in the form of Director RSAs) are settled in shares upon vesting. In 2016, the Company granted an aggregate 54 thousand Director RSAs. Restricted share activity for the year ended December 31, 2016, is summarized below:

	Number of Shares	Weighted-average grant-date fair value per share
	(in thousands)	
Nonvested at January 1, 2016	3	\$ 33.88
Granted	54	18.60
Vested	(3)	33.88
Forfeited	—	—
Nonvested at December 31, 2016	54	\$ 18.60

The weighted-average grant date fair value of restricted shares granted in 2016 was \$18.60. No restricted shares were granted in 2015 and 2014. The aggregate fair value of restricted shares that vested in 2016, 2015 and 2014 was \$37 thousand, \$4.1 million and \$10.9 million, respectively, based on share prices on the vesting dates.

Employee Restricted Share Units – Restricted share units (RSUs) are rights to receive a specified number of ordinary shares upon vesting. RSUs granted to employees typically vest in one-third increments over a three-year service period or in some cases, cliff vest at the end of three years. Employee RSU activity for the year ended December 31, 2016, follows:

	Number of Shares	Weighted-average grant-date fair value per share
	(in thousands)	
Nonvested at January 1, 2016	1,744	\$ 25.42
Granted	1,722	11.62
Vested	(919)	26.50
Forfeited	(304)	16.47
Nonvested at December 31, 2016	2,243	\$ 15.59

The weighted-average grant date fair value of employee RSUs granted in 2016, 2015 and 2014 was \$11.62, \$21.11 and \$32.45, respectively. The aggregate fair value of employee RSUs that vested in 2016, 2015 and 2014 was \$14.6 million, \$8.9 million and \$8.5 million, respectively.

Non-employee Director Restricted Share Units – As noted above, non-employee directors may annually elect to receive either deferred or non-deferred annual equity awards. Like non-deferred awards, the deferred awards (in 2016, in the form of Director RSUs) vest at the earlier of the first anniversary of the grant date or the next annual meeting of shareholders following the grant date but deferred awards are not settled (in cash, shares or a combination thereof at the discretion of the Compensation Committee) until the director terminates service from the Board.

Director RSU activity for the year ended December 31, 2016, follows:

	Number of shares	Weighted-average grant-date fair value per share
	(in thousands)	
Outstanding at January 1, 2016	300	\$ 29.51
Granted	41	17.43
Settled	(54)	30.64
Outstanding at December 31, 2016	287	\$ 27.78
Vested at December 31, 2016	246	\$ 29.51

The weighted-average grant date fair value of non-employee RSUs granted in 2016, 2015 and 2014 was \$17.43, \$20.96 and \$31.10, respectively. The number and aggregate settlement-date fair value of Director RSUs settled during the year were as follows: 2016 – 54 thousand RSUs at \$1.0 million; 2015 – 44 thousand RSUs at \$0.9 million; 2014 – 37 thousand RSUs at \$1.2 million.

Director RSUs are accounted for under the liability method. Accordingly, other long-term liabilities at December 31, 2016 and 2015, included \$5.2 million and \$4.7 million, respectively, related to such awards.

Performance-based Awards – The Compensation Committee may grant awards in which payment is contingent upon the achievement of certain market or performance-based conditions over a period of time specified by the Committee. Payment of such awards may be in ordinary shares or in cash as determined by the Committee.

During 2014, 2015 and 2016, the Company granted to certain members of management P-Units that have a target value of \$100 per unit. The amount ultimately earned with respect to the P-Units is determined by the Company’s total shareholder return (TSR) relative to a selected group of peer companies, as defined in the award agreements, over a three -year period ending December 31, 2016, 2017 and 2018 for the 2014, 2015 and 2016 grants, respectively. The amount earned can range from zero to \$200 per unit depending on performance. Twenty-five percent of the P-Units’ value is determined by the Company’s relative TSR ranking for each one-year period ended December 31 and 25% of the P-Units’ value is determined by the relative TSR ranking for the three -year period ended December 31. P-Units cliff vest and payment is made, if any, on the third anniversary following the grant date. Any employee who terminates employment with the Company prior to the third anniversary for any reason other than retirement will not receive any payment with respect to P-Units unless approved by the Compensation Committee. Settlement of the P-Units granted in 2016 may be in cash or shares at the Compensation Committee's discretion. The Compensation Committee has previously determined that any amount earned with respect to P-Units granted in 2014 and 2015 would be settled in cash.

The grant-date fair value of P-Units granted in 2016 and 2015 was estimated to be \$8.6 million and \$9.0 million , respectively. Fair value was estimated using the Monte Carlo simulation model, which considers the probabilities of the Company’s TSR ranking at the end of each performance period, and the amount of the payout at each rank to determine the probability-weighted expected payout. The Company uses liability accounting to account for the P-Units. Compensation is recognized on a straight-line basis over a maximum period of three years from the grant date and is adjusted for changes in fair value through the end of the performance period.

Liabilities for estimated P-Unit obligations at December 31, 2016 , included \$10.9 million and \$12.8 million classified as current and noncurrent, respectively, compared to \$7.6 million and \$11.4 million classified as current and noncurrent, respectively, at December 31, 2015 . Current and noncurrent estimated P-Unit liabilities are included in Accrued Liabilities, and Other Liabilities, respectively, in the Consolidated Balance Sheets.

In 2016 and 2015, we paid \$7.9 million and \$2.7 million , respectively, in cash to settle P-Units that vested during the year. No performance-based awards vested or settled in 2014.

Share Appreciation Rights – Share appreciation rights (SARs) give the holder the right to receive ordinary shares at no cost to the employee, or cash at the discretion of the Committee, equal in value to the excess of the market price of a share on the date of exercise over the exercise price. All SARs granted have exercise prices equal to the market price of the underlying shares on the date of grant. SARs become exercisable in one-third annual increments over a three -year service period and expire ten years following the grant date. The Company intends to share-settle any exercises of SARs and has therefore accounted for SARs as equity awards.

No SARs have been granted since 2013.

SARs activity for the year ended December 31, 2016 , is summarized below:

	Number of shares under SARs	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
	(in thousands)			(in millions)
Outstanding at January 1, 2016	1,615	\$ 30.66		
Forfeited or expired	(71)	30.53		
Outstanding at December 31, 2016	<u>1,544</u>	<u>\$ 30.67</u>	<u>3.1</u>	<u>\$ 0.7</u>
Exercisable at December 31, 2016	<u>1,544</u>	<u>\$ 30.67</u>	<u>3.1</u>	<u>\$ 0.7</u>

The aggregate intrinsic value of SARs exercised in 2014 was \$0.9 million . No SARs were exercised in 2016 and 2015.

Share Options – Share options granted to employees generally became exercisable in one-third or one-quarter annual increments over a three - or four -year service period at a price generally equal to the market price of the Company’s common shares on the date of grant. The Company has not granted share options since 2008. Unexercised options expire ten years after the grant date.

Share option activity for the year ended December 31, 2016 , is summarized below:

	<u>Number of shares under option</u>	<u>Weighted-average exercise price</u>	<u>Weighted-average remaining contractual term (in years)</u>	<u>Aggregate intrinsic value</u>
	(in thousands)			(in millions)
Outstanding at January 1, 2016	125	\$ 21.02		
Forfeited or expired	(25)	43.85		
Outstanding at December 31, 2016	<u>100</u>	<u>\$ 15.31</u>	<u>1.9</u>	<u>\$ 0.4</u>
Exercisable at December 31, 2016	<u>100</u>	<u>\$ 15.31</u>	<u>1.9</u>	<u>\$ 0.4</u>

No options were exercised in 2016 or 2015 . The aggregate intrinsic value of options exercised in 2014 was \$1.4 million .

Award modifications – In 2014, the Company accelerated the vesting of share-based awards and extended the exercise period for vested SARs held by two retiring employees whose awards would otherwise have been forfeited upon retirement. As a result of the modifications, the Company recognized additional compensation expense in 2014 in the amount of \$1.7 million , net of forfeitures, which is included in selling, general and administrative expense. The Company valued the modified SARs assuming they are to be outstanding near or until such time as they expire.

NOTE 10 – PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company provides defined-benefit pension, health care and life insurance benefits upon retirement for certain full-time employees. Pension benefits are provided under The Rowan Pension Plan and the Restoration Plan of Rowan Companies, Inc. (the “Rowan SERP”), and health care and life insurance benefits are provided under the Retiree Life & Medical Supplemental Plan of Rowan Companies, Inc. (the “Retiree Medical Plan”).

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The following table presents the changes in benefit obligations and plan assets for the years ended December 31 and the funded status and weighted-average assumptions used to determine the benefit obligation at each year end (dollars in millions):

	2016			2015		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
Projected benefit obligations:						
Balance, January 1	\$ 760.0	\$ 66.7	\$ 826.7	\$ 808.0	\$ 73.6	\$ 881.6
Interest cost	26.3	1.6	27.9	31.9	2.9	34.8
Service cost	16.3	0.3	16.6	18.3	1.3	19.6
Actuarial (gain) loss	32.8	9.2	42.0	(40.3)	0.5	(39.8)
Plan amendments	—	(39.9)	(39.9)	(4.9)	(7.2)	(12.1)
Plan settlements	(2.5)	(2.6)	(5.1)	—	—	—
Plan curtailments	(1.0)	—	(1.0)	—	—	—
Exchange rate changes	0.1	—	0.1	(1.1)	—	(1.1)
Benefits paid	(59.9)	(5.4)	(65.3)	(51.9)	(4.4)	(56.3)
Balance, December 31	772.1	29.9	802.0	760.0	66.7	826.7
Plan assets:						
Fair value, January 1	550.7	—	550.7	592.0	—	592.0
Actual return	33.8	—	33.8	(0.1)	—	(0.1)
Employer contributions	22.5	—	22.5	11.3	—	11.3
Plan settlements	(2.5)	—	(2.5)	—	—	—
Exchange rate changes	—	—	—	(0.6)	—	(0.6)
Benefits paid	(59.9)	—	(59.9)	(51.9)	—	(51.9)
Fair value, December 31	544.6	—	544.6	550.7	—	550.7
Net benefit liabilities	\$ (227.5)	\$ (29.9)	\$ (257.4)	\$ (209.3)	\$ (66.7)	\$ (276.0)
Amounts recognized in Consolidated Balance Sheet:						
Accrued liabilities	\$ (29.7)	\$ (2.4)	\$ (32.1)	\$ (22.2)	\$ (9.2)	\$ (31.4)
Other liabilities (long-term)	(197.8)	(27.5)	(225.3)	(187.1)	(57.5)	(244.6)
Net benefit liabilities	\$ (227.5)	\$ (29.9)	\$ (257.4)	\$ (209.3)	\$ (66.7)	\$ (276.0)
Accumulated contributions in excess of (less than) net periodic benefit cost						
	\$ 109.4	\$ (63.3)	\$ 46.1	\$ 106.1	\$ (75.3)	\$ 30.8
Amounts not yet reflected in net periodic benefit cost:						
Actuarial (loss) gain	(353.8)	(7.3)	(361.1)	(336.7)	1.4	(335.3)
Prior service credit	16.9	40.7	57.6	21.3	7.2	28.5
Total accumulated other comprehensive income (loss)	(336.9)	33.4	(303.5)	(315.4)	8.6	(306.8)
Net benefit liabilities	\$ (227.5)	\$ (29.9)	\$ (257.4)	\$ (209.3)	\$ (66.7)	\$ (276.0)
Weighted-average assumptions:						
Discount rate	4.29%	3.94%		4.54%	4.18%	
Rate of compensation increase	4.14%			4.15%		

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The projected benefit obligations for pension benefits in the preceding table reflect the actuarial present value of benefits accrued based on services rendered to date and include the estimated effect of future salary increases. The accumulated benefit obligations, which are presented below for all plans in the aggregate at December 31, are based on services rendered to date, but exclude the effect of future salary increases (in millions):

	2016	2015
Accumulated benefit obligation	\$ 764.8	\$ 755.1

On August 10, 2016, the Company communicated changes to the participants of its postretirement benefits plan that was previously frozen to new entrants in 2008. Based on these changes, effective as of January 1, 2017, eligible participants will now receive a health reimbursement account that provides a fixed dollar benefit per year. The impact of these changes to the plan and related, as of August 10, 2016, are presented in the table below (in millions):

	Liability increase (decrease)	Accumulated other comprehensive income (loss)	Deferred tax liability increase (decrease)
Plan change benefit	\$ (39.9)	\$ 25.9	\$ 14.0
Remeasurement loss	5.2	(3.4)	(1.8)
Actuarial loss	5.2	(3.3)	(1.9)
Total	\$ (29.5)	\$ 19.2	\$ 10.3

During 2016, the Rowan SERP had a one-time settlement charge recognized in net periodic pension costs under US GAAP of \$0.5 million as of December 31, 2016, attributable to lump sum payments during 2016 which exceeded the sum of the service cost and interest cost, the threshold that requires recognition of a settlement loss.

In 2016, the Norwegian Onshore and Offshore pension plans both experienced plan curtailments. Across Rowan Norway Limited, which employs participants of both the Onshore and Offshore pension plans, there was an employment reduction resulting in an approximate 50% reduction in active participants of the plans in early 2017. Since Rowan provided affected employees redundancy letters in November 2016, the curtailment was recognized effective December 31, 2016. The Company recognized a \$0.4 million curtailment gain in net periodic pension costs for 2016.

During 2015, we amended the eligibility requirement with respect to the Retiree Medical Plan to exclude any participant that was previously eligible and was under the age of 50 as of January 1, 2016. The effect of the change was to reduce the projected benefit obligation by \$7.2 million, which was net of an estimated \$4.4 million payment to be made in early 2016 to the affected participants. The actual payment made in 2016 was \$2.6 million and the Company recognized a related \$0.1 million settlement loss.

Effective January 1, 2016, the Company changed its estimate of the service and interest cost components of net periodic benefit costs for its significant defined benefit pension and other postretirement benefit plans. Previously, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. While the benefit obligation measured under this approach is unchanged, more granular application of the spot rates reduced the service and interest cost for fiscal 2016.

Each of the Company's pension plans has a benefit obligation that exceeds the fair value of plan assets.

The Company estimates the following amounts, which are classified in accumulated other comprehensive loss, a component of shareholders' equity, will be recognized as net periodic benefit cost in 2017 (in millions):

	Pension benefits	Other retirement benefits	Total
Actuarial (loss) gain	\$ (23.1)	\$ (0.7)	\$ (23.8)
Prior service credit	5.0	13.3	18.3
Total amortization	\$ (18.1)	\$ 12.6	\$ (5.5)

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The components of net periodic pension cost and the weighted-average assumptions used to determine net cost were as follows (dollars in millions):

	2016	2015	2014
Service cost	\$ 16.3	\$ 18.3	\$ 14.6
Interest cost	26.3	31.9	32.7
Expected return on plan assets	(39.6)	(41.6)	(41.6)
Recognized actuarial loss	21.0	25.7	19.9
Amortization of prior service cost	(5.0)	(4.5)	(4.5)
Curtailement gain recognized	(0.4)	—	—
Settlement loss recognized	0.5	—	—
Net periodic pension cost	<u>\$ 19.1</u>	<u>\$ 29.8</u>	<u>\$ 21.1</u>
Discount rate	4.53%	3.97%	4.83%
Expected return on plan assets	7.28%	7.45%	8.00%
Rate of compensation increase	4.14%	4.15%	4.15%

The components of net periodic cost of other postretirement benefits and the weighted average discount rate used to determine net cost were as follows (dollars in millions):

	2016	2015	2014
Service cost	\$ 0.3	\$ 1.3	\$ 1.1
Interest cost	1.6	2.9	3.0
Amortization of prior service credit	(6.4)	—	—
Amortization of net (gain) loss	0.3	—	(0.3)
Settlement loss	0.1	—	—
Net periodic cost of other postretirement benefits	<u>\$ (4.1)</u>	<u>\$ 4.2</u>	<u>\$ 3.8</u>
Discount rate	4.18%	3.95%	4.74%

The assumed health care cost trend rates used to measure the expected cost of retirement health benefits was 6.9% for 2016, gradually decreasing to 4.5% for 2038 and thereafter. A one-percentage-point change in the assumed health care cost trend rates would change the reported amounts as follows (in millions):

	One-percentage-point change	
	Increase	Decrease
Effect on total service and interest cost components for the year	\$ —	\$ —
Effect on postretirement benefit obligation at year-end	N/A	N/A

The pension plans' investment objectives for fund assets are: to achieve over the life of the plans a return equal to the plans' expected investment return or the inflation rate plus 3% , whichever is greater; to invest assets in a manner such that contributions are minimized and future assets are available to fund liabilities; to maintain liquidity sufficient to pay benefits when due; and to diversify among asset classes so that assets earn a reasonable return with an acceptable level of risk. The plans employ several active managers with proven long-term records in their specific investment discipline.

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Target allocations among asset categories and the fair values of each category of plan assets as of December 31, 2016 and 2015, classified by level within the US GAAP fair value hierarchy is presented below. The plans will periodically reallocate assets in accordance with the allocation targets, after giving consideration to the expected level of cash required to pay current benefits and plan expenses (dollars in millions):

	Target range	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2016:					
Equities:	53% to 69%				
U.S. large cap	22% to 28%	\$ 141.6	\$ —	\$ 141.6	\$ —
U.S. small cap	4% to 10%	41.5	—	41.5	—
International all cap	21% to 29%	134.4	—	134.4	—
International small cap	2% to 8%	27.4	—	27.4	—
Real estate equities	0% to 13%	47.1	—	47.1	—
Fixed income:	25% to 35%				
Cash and equivalents	0% to 10%	4.6	—	4.6	—
Aggregate	9% to 19%	72.4	—	72.4	—
Core plus	9% to 19%	73.0	73.0	—	—
Group annuity contracts		2.6	—	2.6	—
Total		\$ 544.6	\$ 73.0	\$ 471.6	\$ —
December 31, 2015:					
Equities:	53% to 69%				
U.S. large cap	22% to 28%	\$ 135.7	\$ —	\$ 135.7	\$ —
U.S. small cap	4% to 10%	36.4	—	36.4	—
International all cap	21% to 29%	128.4	—	128.4	—
International small cap	2% to 8%	33.1	—	33.1	—
Real estate equities	0% to 13%	49.9	—	49.9	—
Fixed income:	25% to 35%				
Cash and equivalents	0% to 10%	11.9	—	11.9	—
Aggregate	9% to 19%	75.9	—	75.9	—
Core plus	9% to 19%	76.1	76.1	—	—
Group annuity contracts		3.3	—	3.3	—
Total		\$ 550.7	\$ 76.1	\$ 474.6	\$ —

Assets in the U.S. equities category include investments in common and preferred stocks (and equivalents such as American Depository Receipts and convertible bonds) and may be held through separate accounts, commingled funds or an institutional mutual fund. Assets in the international equities category include investments in a broad range of international equity securities, including both developed and emerging markets, and may be held through a commingled or institutional mutual fund. The real estate category includes investments in pooled and commingled funds whose objectives are diversified equity investments in income-producing properties. Each real estate fund is intended to provide broad exposure to the real estate market by property type, geographic location and size and may invest internationally. Securities in both the aggregate and core plus fixed income categories include U.S. government, corporate, mortgage- and asset-backed securities and Yankee bonds, and both categories target an average credit rating of "A" or better at all times. Individual securities in the aggregate fixed income category must be investment grade or above at the time of purchase, whereas securities in the core plus category may have a rating of "B" or above. Additionally, the core plus category may invest in non-U.S. securities. Assets in the aggregate and core plus fixed income categories are held primarily through a commingled fund and an institutional mutual fund, respectively. Group annuity contracts are invested in a combination of equity, real estate, bond and other investments in connection with a pension plan in Norway.

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The following is a description of the valuation methodologies used for the pension plan assets at December 31, 2016 , and 2015 :

- Fair values of all U.S. equity securities, the international all cap equity securities and aggregate fixed income securities categorized as Level 2 were held in commingled funds which were valued daily based on a net asset value.
- Fair value of international small cap equity securities categorized as Level 2 were held in a limited partnership fund which was valued monthly based on a net asset value.
- The real estate categorized as Level 2 was held in two accounts (a commingled fund and a limited partnership). The assets in the commingled fund were valued monthly based on a net asset value and the assets in the limited partnership were valued quarterly based on a net asset value.
- Cash and equivalents categorized as Level 2 were valued at cost, which approximates fair value.
- Fair value of mutual fund investments in core plus fixed income securities categorized as Level 1 were based on quoted market prices which represent the net asset value of shares held.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the plans' other asset classes and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based upon the current asset allocation to develop the expected long-term rate of return on assets assumption for the plans, which was reduced to 7.15% at December 31, 2016 , from 7.30% at December 31, 2015 .

Our estimates for our net benefit expense (income) are partially based on the expected return on pension plan assets. We use a market-related value of plan assets to determine the expected return on pension plan assets. In determining the market-related value of plan assets, differences between expected and actual asset returns are deferred and recognized over two years. If we used the fair value of our plan assets instead of the market-related value of plan assets in determining the expected return on pension plan assets, our net benefit expense would have been \$5.5 million higher for the year ended December 31, 2016.

We base our determination of the asset return component of pension expense on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a two-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the fair value of assets. Since the market-related value of assets recognizes gains or losses over a two-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded. As of January 1, 2017, cumulative asset losses of approximately \$17.2 million remained to be recognized in the calculation of the market-related value of assets.

The Company currently expects to contribute approximately \$30 million to its pension plans in 2017 and to directly pay other postretirement benefits of approximately \$2 million .

Estimated future annual benefit payments from plan assets are presented below. Such amounts are based on existing benefit formulas and include the effect of future service (in millions):

	Pension benefits	Other postretirement benefits
Year ended December 31,		
2017	\$ 82.2	\$ 2.4
2018	43.5	2.3
2019	45.4	2.3
2020	46.9	2.2
2021	47.7	2.1
2022 through 2026	245.1	10.2

The Company sponsors defined contribution plans covering substantially all employees. Employer contributions to such plans are expensed as incurred and totaled \$16.7 million in 2016 , \$20.0 million in 2015 and \$19.0 million in 2014 .

NOTE 11 – SHAREHOLDERS’ EQUITY
Reclassifications from Accumulated Other Comprehensive Loss

The following table sets forth the significant amounts reclassified out of each component of accumulated other comprehensive loss and their effect on net income (loss) for the period (in millions):

	2016	2015	2014
Amounts recognized as a component of net periodic pension and other postretirement benefit cost:			
Amortization of net loss	\$ (21.9)	\$ (25.7)	\$ (19.6)
Amortization of prior service credit	10.7	4.5	4.5
Total before income taxes	(11.2)	(21.2)	(15.1)
Income tax benefit	3.8	7.4	5.3
Total reclassifications for the period, net of income taxes	<u>\$ (7.4)</u>	<u>\$ (13.8)</u>	<u>\$ (9.8)</u>

The Company records unrealized gains and losses related to net periodic pension and other postretirement benefit cost net of estimated taxes in Accumulated other comprehensive income (loss). The Company has a valuation allowance against its net U.S. deferred tax asset that is not expected to be realized. A portion of this valuation allowance is related to deferred tax benefits or expense as recorded in Accumulated other comprehensive income (loss).

Cash Dividends

In January 2016, the Company announced that it had discontinued its quarterly dividend.

During 2015, the Board of Directors approved quarterly cash dividends of \$0.10 per Class A ordinary share, which were paid on March 3, May 26, August 25, and November 23, 2015, to shareholders of record at the close of business on February 9, May 12, August 11, and November 9, 2015, respectively.

During 2014, the Board of Directors approved quarterly cash dividends of \$0.10 per share, which were paid on May 20, August 26, and November 25, 2014, to shareholders of record at the close of business on May 5, August 11, and November 11, 2014, respectively.

NOTE 12 – INCOME TAXES

Rowan plc, the parent company, is domiciled in the U.K. and is subject to the U.K. statutory rate of 23% for the period January 1 through March 31, 2014; 21% for the financial year beginning April 1, 2014; 20% for the financial year beginning April 1, 2015; and 19% for the financial year beginning April 1, 2017. On September 15, 2016, the U.K. enacted tax law to reduce the tax rate to 17% for the financial year beginning April 1, 2020. The U.K. statutory tax rate for 2016 is 20%.

The significant components of income taxes attributable to continuing operations are presented below (in millions):

	2016	2015	2014
Current:			
U.S.	\$ 10.0	\$ 7.4	\$ (62.3)
Non - U.S.	32.9	50.8	53.5
State	—	0.1	0.1
Current expense (benefit)	42.9	58.3	(8.7)
Deferred:			
U.S.	(20.9)	(6.3)	(140.3)
Non - U.S.	(17.0)	12.4	(1.7)
Deferred provision (benefit)	(37.9)	6.1	(142.0)
Total provision (benefit)	<u>\$ 5.0</u>	<u>\$ 64.4</u>	<u>\$ (150.7)</u>

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Differences between our provision for income taxes and the amount determined by applying the U.K. statutory rate to income before income taxes are set forth below (dollars in millions):

	2016	2015	2014
U.K. statutory rate	20.00%	20.25%	21.50%
Tax at statutory rate	\$ 65.1	\$ 31.9	\$ (58.0)
Increase (decrease) due to:			
Capitalized interest transactions	—	(5.7)	(20.1)
Tax audit settlements	—	—	10.4
Foreign rate differential	(92.7)	(30.0)	38.2
Deferred intercompany gain/loss	(20.1)	(33.8)	(86.6)
Foreign asset basis difference	405.9	—	—
Luxembourg restructuring operating loss	(1,180.2)	—	—
Change in valuation allowance	814.7	106.0	(3.6)
Prior period adjustments	(4.1)	(6.9)	7.5
Unrecognized tax benefits	7.1	9.7	(35.8)
U.S. tax on RCI non-U.S. subsidiaries	6.3	—	—
Termination of local country activity	—	(6.3)	—
Foreign tax credits/deductions	(1.5)	(2.2)	(4.9)
Other, net	4.5	1.7	2.2
Total provision (benefit)	\$ 5.0	\$ 64.4	\$ (150.7)

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In 2016, organizational restructuring resulted in a Luxembourg net operating loss of \$4,534 million resulting in a deferred tax asset of \$1,180 million with an offsetting deferred tax liability for book over tax asset basis difference of \$409 million and a valuation allowance of \$747 million for the net deferred tax asset that is not expected to be realized.

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities at December 31 were as follows (in millions):

	2016	2015
Deferred tax assets:		
Accrued employee benefit plan costs	\$ 81.1	\$ 137.9
U.S. net operating loss	111.2	27.5
U.K. net operating loss	2.8	2.8
Trinidad net operating loss	6.5	7.7
Luxembourg net operating loss	1,180.2	—
Suriname net operating loss	3.9	—
Interest expense limitation carryforward	—	42.1
Other NOLs and tax credit carryforwards	36.8	33.1
Other	31.2	30.6
Total deferred tax assets	1,453.7	281.7
Less: valuation allowance	(889.8)	(128.3)
Deferred tax assets, net of valuation allowance	563.9	153.4
Deferred tax liabilities:		
Property and equipment	712.8	296.6
Other	12.3	52.6
Total deferred tax liabilities	725.1	349.2
Net deferred tax asset (liability)	\$ (161.2)	\$ (195.8)

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. The significant negative evidence evaluated was the limited Luxembourg forecasted taxable income based on information as of December 31, 2016. Such evidence limits our ability to consider other positive evidence. On the basis of this evaluation, as of December 31, 2016, a valuation allowance of \$747 million was established against the Luxembourg deferred tax assets created in the current period.

Management continues to assess positive and negative evidence that the U.S. deferred tax assets will be realized. There have been no changes on the prior assessment of the realization of the deferred tax assets and the U.S. will continue to have a valuation allowance for the period ended December 31, 2016. During the period ended December 31, 2016, we increased our valuation allowance on U.S. deferred tax assets by \$12 million to \$132 million, primarily due to the changes in the deferred tax assets related to net operating loss, interest limitations and depreciation.

As of December 31, 2015, an additional valuation allowance of \$62 million on the U.S. 2014 and prior years' deferred tax assets and an additional valuation allowance of \$43 million on the U.S. deferred tax asset was recorded in 2015 to recognize only the portion of the deferred tax assets that is more likely to be realized.

The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if negative evidence in the form of cumulative losses is no longer present, and additional weight may be given to evidence such as our projections for growth. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets.

At December 31, 2016, the Company had approximately \$428 million of net operating loss carryforwards (NOLs) in the U.S., which expire at various times between 2034 and 2041 and which is subject to a valuation allowance as discussed in the preceding paragraphs; \$49 million of NOLs in the U.S. attributable to the Company's non-U.S. subsidiaries expiring in 2032 and which is subject to a valuation allowance of \$36 million at December 31, 2016; \$4.5 billion of non-expiring NOLs in Luxembourg of which \$2.9 billion is subject to a valuation allowance; \$17 million of non-expiring NOLs in the U.K., of which \$17 million is subject to

a valuation allowance; and \$26 million of non-expiring NOLs in Trinidad, of which \$14 million is subject to a valuation allowance. In addition, at December 31, 2016, the Company had \$15 million of non-expiring NOLs in other foreign jurisdictions, of which \$15 million is subject to a valuation allowance. The U.S. foreign tax credit of \$29 million is intended to be carried back and does not have a valuation allowance. Due to the uncertainty of realization, we have a tax-effected valuation allowance as of December 31, 2016, in the amount of \$890 million against our foreign tax credits, NOL carryforwards, and other deferred tax assets that may not be realizable, primarily relating to countries where we no longer operate or do not expect to generate sufficient future taxable income. Management has determined that no other valuation allowances were necessary at December 31, 2016, as anticipated future tax benefits relating to all recognized deferred income tax assets are expected to be fully realized when measured against a more likely than not standard.

The federal and foreign NOL carryforwards included unrecognized tax benefits taken in prior years. The NOLs for which a deferred tax asset is recognized for financial statement purposes in accordance with ASC 740 are presented net of these unrecognized tax benefits.

The Company has not provided deferred income taxes on certain undistributed earnings of its non-U.K. subsidiaries. Generally, the earnings of non-U.K. subsidiaries in which RCI does not have a direct or indirect ownership interest can be distributed to Rowan plc without the imposition of either U.K. or local country tax. It is generally the Company's policy and intention to permanently reinvest earnings of non-U.S. subsidiaries of RCI outside the U.S. However, we have recognized taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future.

As of December 31, 2016, RCI's portion of the unremitted earnings of its non-U.S. subsidiaries that could be includable in taxable income of RCI, if distributed, was approximately \$376 million. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting tax impact could have a material effect on our consolidated financial statements. Should the non-U.S. subsidiaries of RCI make a distribution from these earnings, we may be subject to additional income taxes. It is not practicable to estimate the amount of deferred tax liability related to the undistributed earnings, and RCI's non-U.S. subsidiaries have no plan to distribute earnings in a manner that would cause them to be subject to U.S., U.K., or other local country taxation.

At December 31, 2016, 2015 and 2014, we had approximately \$59 million, \$62 million and \$48 million, respectively, of net unrecognized tax benefits attributable to continuing operations. At December 31, 2016, \$59 million would reduce the Company's income tax provision if recognized.

The following table sets forth the changes in the Company's gross unrecognized tax benefits for the years ended December 31 (in millions):

	2016	2015	2014
Gross unrecognized tax benefits - beginning of year	\$ 65.1	\$ 54.7	\$ 81.9
Gross increases - tax positions in prior period	46.2	4.4	19.9
Gross decreases - tax positions in prior period	(0.6)	(3.7)	(10.6)
Gross increases - current period tax positions	10.9	9.7	9.5
Settlements	(1.5)	—	(37.8)
Lapse of statute of limitations	—	—	(8.2)
Gross unrecognized tax benefit - end of year	<u>\$ 120.1</u>	<u>\$ 65.1</u>	<u>\$ 54.7</u>

Interest and penalties relating to income taxes are included in income tax expense. At December 31, 2016, 2015 and 2014, accrued interest was \$11.8 million, \$7.9 million and \$5.5 million, respectively, and accrued penalties were \$3.1 million, \$2.8 million and \$2.6 million, respectively. Accrued interest and penalties relating to uncertain tax positions that are not actually assessed will be reversed in the year of the resolution.

We have been advised by the U.S. Internal Revenue Service of proposed unfavorable tax adjustments of \$85 million including applicable penalties for the open tax years 2009 through 2012. The unfavorable tax adjustments primarily related to the following items: 2009 tax benefits recognized as a result of applying the facts of a third-party tax case that provided favorable tax treatment for certain foreign contracts entered into in prior years to the Company's situation; transfer pricing; and domestic production activity deduction. The IRS does not agree with our protest and they have submitted the proposed unfavorable tax adjustments to be reviewed by the IRS Appeals group. In years subsequent to 2012, we have similar positions that could be subject to adjustments for the open years. We have provided for amounts that we believe will be ultimately payable under the proposed adjustments and intend to vigorously defend our positions; however, if we determine the provisions for these matters to be inadequate due to new information or we are required to pay a significant amount of additional U.S. taxes and applicable penalties and interest in excess of amounts that have been provided for these matters, our consolidated results of operations and cash flows could be materially and adversely affected.

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The Company's U.S. federal tax returns for 2009 through 2012 are currently under audit by the IRS. Various state tax returns for 2009 and subsequent years remain open for examination. In the Company's non-U.S. tax jurisdictions, returns for 2006 and subsequent years remain open for examination. We are undergoing other routine tax examinations in various U.S. and non-U.S. taxing jurisdictions in which the Company has operated. These examinations cover various tax years and are in various stages of finalization. The Company believes that any income taxes ultimately assessed by any taxing authorities will not materially exceed amounts for which the Company has already provided.

The components of income (loss) from continuing operations before income taxes were as follows (in millions):

	2016	2015	2014
U.S.	\$ (180.2)	\$ (174.1)	\$ (198.3)
Non-U.S.	505.8	331.8	(71.3)
Total	\$ 325.6	\$ 157.7	\$ (269.6)

NOTE 13 – SEGMENT AND GEOGRAPHIC AREA INFORMATION

Prior to 2015, we reported our results as one operating segment, contract drilling. In 2015, we reevaluated our operating segments in light of our management structure, which is now organized along the differences in the markets served by our drillships and jack-up rigs. As a result, we determined we operate in two principal operating segments – deepwater, which consists of our drillship operations, and jack-ups. Both segments provide one service – contract drilling. The Company evaluates performance primarily based on income from operations.

The segment data which appears below is presented as though we operated in the two operating segments for each year presented. Depreciation and amortization and selling, general and administrative expenses related to our corporate function and other administrative offices have not been allocated to our operating segments for purposes of measuring segment operating income and are included in "Unallocated costs and other." "Other operating items" consists of, to the extent applicable, non-cash impairment charges, gains and losses on equipment sales and litigation and related items:

	Years ended December 31,		
	2016	2015	2014
	(In millions)		
Deepwater:			
Revenues	\$ 827.5	\$ 747.8	\$ 179.8
Operating expenses:			
Direct operating costs (excluding items below)	222.0	276.6	87.8
Depreciation and amortization	115.0	94.6	24.4
Selling, general and administrative	—	—	—
Other operating items	0.1	—	—
Income from operations	<u>\$ 490.4</u>	<u>\$ 376.6</u>	<u>\$ 67.6</u>
Capital expenditures	\$ 31.5	\$ 555.1	\$ 1,577.2
Total assets (at end of year)	\$ 3,037.7	\$ 3,100.1	\$ 2,665.1
Jack-ups:			
Revenues	\$ 1,015.7	\$ 1,389.2	\$ 1,644.6
Operating expenses:			
Direct operating costs (excluding items below)	556.2	716.5	903.5
Depreciation and amortization	282.6	283.9	283.5
Selling, general and administrative	—	—	—
Other operating items	40.9	328.8	544.9
Income (loss) from operations	<u>\$ 136.0</u>	<u>\$ 60.0</u>	<u>\$ (87.3)</u>
Capital expenditures	\$ 84.3	\$ 128.8	\$ 345.3
Total assets (at end of year)	\$ 4,285.8	\$ 4,437.9	\$ 5,163.0
Unallocated costs and other:			
Revenues	\$ —	\$ —	\$ —
Operating expenses:			
Direct operating costs (excluding items below)	—	—	—
Depreciation and amortization	5.3	12.9	14.7
Selling, general and administrative	102.1	115.8	125.8
Other operating items	0.6	0.8	6.5
Loss from operations	<u>\$ (108.0)</u>	<u>\$ (129.5)</u>	<u>\$ (147.0)</u>
Capital expenditures	\$ 1.8	\$ 39.0	\$ 35.7
Total assets (at end of year)	\$ 1,352.1	\$ 809.3	\$ 564.2
Consolidated:			
Revenues	\$ 1,843.2	\$ 2,137.0	\$ 1,824.4
Operating expenses:			
Direct operating costs (excluding items below)	778.2	993.1	991.3
Depreciation and amortization	402.9	391.4	322.6
Selling, general and administrative	102.1	115.8	125.8
Other operating items	41.6	329.6	551.4
Income (loss) from operations	<u>\$ 518.4</u>	<u>\$ 307.1</u>	<u>\$ (166.7)</u>
Capital expenditures	\$ 117.6	\$ 722.9	\$ 1,958.2
Total assets (at end of year)	\$ 8,675.6	\$ 8,347.3	\$ 8,392.3

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The classifications of revenues and assets among geographic areas in the tables which follow were determined based on the physical location of assets. Because the Company's offshore drilling rigs are mobile, classifications by area are dependent on the rigs' location at the time revenues are earned, and may vary from one period to the next.

	Years ended December 31,		
	2016	2015	2014
	(In millions)		
Revenues:			
United States	\$ 852.8	\$ 704.6	\$ 283.8
Saudi Arabia	363.9	408.7	443.9
Norway	312.6	403.6	213.4
United Kingdom	120.6	163.0	288.2
Other ⁽¹⁾	193.3	457.1	595.1
Total	\$ 1,843.2	\$ 2,137.0	\$ 1,824.4

	December 31,	
	2016	2015
	(In millions)	
Long-lived assets:		
United States	\$ 3,199.5	\$ 3,522.7
United Kingdom	1,229.9	827.5
Saudi Arabia	818.4	896.8
Norway	813.7	1,330.0
Other ⁽¹⁾	998.5	828.8
Total	\$ 7,060.0	\$ 7,405.8

(1) Other represents countries in which the Company operates that individually had revenues and long-lived assets representing less than 10% of total revenues or long-lived assets.

NOTE 14 – MATERIAL CHARGES AND OTHER OPERATING ITEMS

Operating expenses for 2016 include (i) non-cash asset impairment charges totaling \$34.3 million on five jack-up drilling units (see Note 7) and (ii) a \$1.4 million reversal of an estimated liability for settlement of a withholding tax matter during a tax amnesty period which was related to a legal settlement for a 2014 termination of a contract for refurbishment work on the *Rowan Gorilla III*, as noted below in the 2015 period. Payment of such withholding taxes during the tax amnesty period resulted in the waiver of applicable penalties and interest.

Operating expenses for 2015 include non-cash asset impairment charges totaling \$ 329.8 million on ten jack-up drilling units (see Note 7) and an adjustment of \$7.6 million to an estimated liability for the 2014 contract termination in connection with refurbishment work on the *Rowan Gorilla III*. A settlement agreement for this matter was signed during the third quarter of 2015.

Operating expenses for 2014 include non-cash asset impairment charges aggregating \$574.0 million, including \$565.7 million in connection with twelve of the Company's oldest jack-up drilling units (see Note 7) and \$8.3 million for a Company aircraft, which we sold later in 2014 at an immaterial loss.

NOTE 15 – SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities and other supplemental cash flow information follows (in millions):

	2016	2015	2014
Accrued but unpaid additions to property and equipment at December 31	\$ 21.0	\$ 32.2	\$ 48.6
Cash interest payments in excess of interest capitalized	159.2	143.8	78.7
Income tax payments (refunds), net	38.1	37.5	8.5

NOTE 16 – GUARANTEES OF REGISTERED SECURITIES

Rowan plc and its 100% -owned subsidiary, RCI, have entered into agreements providing for, among other things, the full, unconditional and irrevocable guarantee by Rowan plc of the prompt payment, when due, of any amount owed to the holders of RCI's Senior Notes and amounts outstanding under RCI's revolving credit facility, if any.

The condensed consolidating financial information that follows is presented on the equity method of accounting in accordance with Rule 3-10 of Regulation S-X in connection with Rowan plc's guarantee of the Senior Notes and reflects the corporate ownership structure as of December 31, 2016. Financial information as of December 31, 2015, and for the years ended December 31, 2015 and 2014 has been recast to reflect changes to the corporate ownership structure that occurred in 2016 and is presented as though the structure at December 31, 2016, was in place at January 1, 2014.

Subsequent to the issuance of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, the Company's management identified immaterial errors in its condensed consolidating balance sheet as of December 31, 2015, resulting in the understatement of RCI deferred income taxes - net by \$22.2 million and the overstatement of RCI shareholders' equity by the same amount. The prior period amounts within the Company's condensed consolidating balance sheet as of December 31, 2015 have been revised to reflect the correct balances. These errors had no impact on our consolidated financial statements.

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Operations
Year ended December 31, 2016
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
REVENUES	\$ —	\$ 40.4	\$ 1,836.9	\$ (34.1)	\$ 1,843.2
COSTS AND EXPENSES:					
Direct operating costs (excluding items below)	—	12.2	795.1	(29.1)	778.2
Depreciation and amortization	—	19.2	382.7	1.0	402.9
Selling, general and administrative	28.5	5.4	74.2	(6.0)	102.1
Loss on disposals of property and equipment	—	0.9	7.8	—	8.7
Material charges and other operating items	—	—	32.9	—	32.9
Total costs and expenses	28.5	37.7	1,292.7	(34.1)	1,324.8
INCOME (LOSS) FROM OPERATIONS	(28.5)	2.7	544.2	—	518.4
OTHER INCOME (EXPENSE):					
Interest expense, net of interest capitalized	—	(155.5)	(4.1)	4.1	(155.5)
Interest income	—	5.1	2.8	(4.1)	3.8
Loss on extinguishment of debt	—	(31.2)	—	—	(31.2)
Other - net	21.2	(21.2)	(9.9)	—	(9.9)
Total other income (expense) - net	21.2	(202.8)	(11.2)	—	(192.8)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(7.3)	(200.1)	533.0	—	325.6
Provision for income taxes	—	66.3	(6.7)	(54.6)	5.0
INCOME (LOSS) FROM CONTINUING OPERATIONS	(7.3)	(266.4)	539.7	54.6	320.6
DISCONTINUED OPERATIONS, NET OF TAX	—	—	—	—	—
EQUITY IN EARNINGS OF SUBSIDIARIES, NET OF TAX	327.9	33.9	—	(361.8)	—
NET INCOME (LOSS)	\$ 320.6	\$ (232.5)	\$ 539.7	\$ (307.2)	\$ 320.6

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Operations
Year ended December 31, 2015
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
REVENUES	\$ —	\$ 60.0	\$ 2,133.4	\$ (56.4)	\$ 2,137.0
COSTS AND EXPENSES:					
Direct operating costs (excluding items below)	—	15.0	1,028.5	(50.4)	993.1
Depreciation and amortization	—	19.5	370.4	1.5	391.4
Selling, general and administrative	26.2	5.4	91.7	(7.5)	115.8
(Gain) loss on disposals of property and equipment	—	0.9	(8.6)	—	(7.7)
Material charges and other operating items	—	—	337.3	—	337.3
Total costs and expenses	26.2	40.8	1,819.3	(56.4)	1,829.9
INCOME (LOSS) FROM OPERATIONS	(26.2)	19.2	314.1	—	307.1
OTHER INCOME (EXPENSE):					
Interest expense, net of interest capitalized	—	(145.3)	(22.8)	22.8	(145.3)
Interest income	0.8	22.1	1.0	(22.8)	1.1
Loss on extinguishment of debt	—	(1.5)	—	—	(1.5)
Other - net	22.3	(22.0)	(4.0)	—	(3.7)
Total other income (expense) - net	23.1	(146.7)	(25.8)	—	(149.4)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(3.1)	(127.5)	288.3	—	157.7
Provision for income taxes	—	29.7	48.6	(13.9)	64.4
INCOME (LOSS) FROM CONTINUING OPERATIONS	(3.1)	(157.2)	239.7	13.9	93.3
DISCONTINUED OPERATIONS, NET OF TAX	—	—	—	—	—
EQUITY IN EARNINGS (LOSSES) OF SUBSIDIARIES, NET OF TAX	96.4	(136.4)	—	40.0	—
NET INCOME (LOSS)	\$ 93.3	\$ (293.6)	\$ 239.7	\$ 53.9	\$ 93.3

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Operations
Year ended December 31, 2014
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
REVENUES	\$ —	\$ 63.8	\$ 1,824.6	\$ (64.0)	\$ 1,824.4
COSTS AND EXPENSES:					
Direct operating costs (excluding items below)	—	3.7	1,048.2	(60.6)	991.3
Depreciation and amortization	—	13.7	307.7	1.2	322.6
Selling, general and administrative	26.3	—	104.1	(4.6)	125.8
(Gain) loss on disposals of property and equipment	—	(4.9)	3.2	—	(1.7)
Gain on litigation settlement	—	—	(20.9)	—	(20.9)
Material charges and other operating items	—	12.2	561.8	—	574.0
Total costs and expenses	26.3	24.7	2,004.1	(64.0)	1,991.1
INCOME (LOSS) FROM OPERATIONS	(26.3)	39.1	(179.5)	—	(166.7)
OTHER INCOME (EXPENSE):					
Interest expense, net of interest capitalized	—	(103.9)	(3.1)	3.1	(103.9)
Interest income	0.3	3.5	1.1	(3.1)	1.8
Other - net	22.4	(22.3)	(0.9)	—	(0.8)
Total other income (expense) - net	22.7	(122.7)	(2.9)	—	(102.9)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(3.6)	(83.6)	(182.4)	—	(269.6)
Benefit for income taxes	—	(116.6)	(36.2)	2.1	(150.7)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(3.6)	33.0	(146.2)	(2.1)	(118.9)
DISCONTINUED OPERATIONS, NET OF TAX	—	4.0	—	—	4.0
EQUITY IN LOSSES OF SUBSIDIARIES, NET OF TAX	(111.3)	(141.7)	—	253.0	—
NET LOSS	\$ (114.9)	\$ (104.7)	\$ (146.2)	\$ 250.9	\$ (114.9)

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
Year ended December 31, 2016
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
NET INCOME (LOSS)	\$ 320.6	\$ (232.5)	\$ 539.7	\$ (307.2)	\$ 320.6
OTHER COMPREHENSIVE INCOME:					
Net changes in pension and other postretirement plan assets and benefit obligations recognized in other comprehensive income, net of income taxes	(5.1)	(5.1)	—	5.1	(5.1)
Net reclassification adjustments for amount recognized in net income (loss) as a component of net periodic benefit cost, net of income taxes	7.4	7.4	—	(7.4)	7.4
	2.3	2.3	—	(2.3)	2.3
COMPREHENSIVE INCOME (LOSS)	\$ 322.9	\$ (230.2)	\$ 539.7	\$ (309.5)	\$ 322.9

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
Year ended December 31, 2015
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
NET INCOME (LOSS)	\$ 93.3	\$ (293.6)	\$ 239.7	\$ 53.9	\$ 93.3
OTHER COMPREHENSIVE INCOME:					
Net changes in pension and other postretirement plan assets and benefit obligations recognized in other comprehensive income, net of income taxes	7.0	7.0	—	(7.0)	7.0
Net reclassification adjustments for amount recognized in net income (loss) as a component of net periodic benefit cost, net of income taxes	13.8	13.8	—	(13.8)	13.8
	20.8	20.8	—	(20.8)	20.8
COMPREHENSIVE INCOME (LOSS)	\$ 114.1	\$ (272.8)	\$ 239.7	\$ 33.1	\$ 114.1

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
Year ended December 31, 2014
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
NET LOSS	\$ (114.9)	\$ (104.7)	\$ (146.2)	\$ 250.9	\$ (114.9)
OTHER COMPREHENSIVE INCOME (LOSS):					
Net changes in pension and other postretirement plan assets and benefit obligations recognized in other comprehensive income, net of income taxes	(87.3)	(87.3)	—	87.3	(87.3)
Net reclassification adjustments for amount recognized in net loss as a component of net periodic benefit cost, net of income taxes	9.8	9.8	—	(9.8)	9.8
	(77.5)	(77.5)	—	77.5	(77.5)
COMPREHENSIVE LOSS	<u>\$ (192.4)</u>	<u>\$ (182.2)</u>	<u>\$ (146.2)</u>	<u>\$ 328.4</u>	<u>\$ (192.4)</u>

Rowan Companies plc and Subsidiaries
Condensed Consolidating Balance Sheets
December 31, 2016
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	\$ 3.7	\$ 532.0	\$ 719.8	\$ —	\$ 1,255.5
Receivables - trade and other	—	1.8	299.5	—	301.3
Prepaid expenses and other current assets	0.3	12.9	10.3	—	23.5
Total current assets	4.0	546.7	1,029.6	—	1,580.3
Property and equipment - gross	—	631.0	8,469.8	—	9,100.8
Less accumulated depreciation and amortization	—	273.8	1,767.0	—	2,040.8
Property and equipment - net	—	357.2	6,702.8	—	7,060.0
Investments in subsidiaries	5,115.8	6,097.9	—	(11,213.7)	—
Due from affiliates	0.4	437.2	64.2	(501.8)	—
Other assets	—	5.6	29.7	—	35.3
	<u>\$ 5,120.2</u>	<u>\$ 7,444.6</u>	<u>\$ 7,826.3</u>	<u>\$ (11,715.5)</u>	<u>\$ 8,675.6</u>
CURRENT LIABILITIES:					
Current portion of long-term debt	\$ —	\$ 126.8	\$ —	\$ —	\$ 126.8
Accounts payable - trade	0.4	22.4	71.5	—	94.3
Deferred revenues	—	0.1	103.8	—	103.9
Accrued liabilities	0.3	107.4	51.1	—	158.8
Total current liabilities	0.7	256.7	226.4	—	483.8
Long-term debt, less current portion	—	2,553.4	—	—	2,553.4
Due to affiliates	0.4	63.9	437.5	(501.8)	—
Other liabilities	5.2	283.9	49.7	—	338.8
Deferred income taxes - net	—	598.3	139.3	(551.9)	185.7
Shareholders' equity	5,113.9	3,688.4	6,973.4	(10,661.8)	5,113.9
	<u>\$ 5,120.2</u>	<u>\$ 7,444.6</u>	<u>\$ 7,826.3</u>	<u>\$ (11,715.5)</u>	<u>\$ 8,675.6</u>

Rowan Companies plc and Subsidiaries
Condensed Consolidating Balance Sheets
December 31, 2015
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	\$ 17.3	\$ 9.5	\$ 457.4	\$ —	\$ 484.2
Receivables - trade and other	0.1	1.4	409.0	—	410.5
Prepaid expenses and other current assets	0.4	19.3	6.9	—	26.6
Total current assets	17.8	30.2	873.3	—	921.3
Property and equipment - gross	—	592.8	8,475.3	—	9,068.1
Less accumulated depreciation and amortization	—	242.7	1,419.6	—	1,662.3
Property and equipment - net	—	350.1	7,055.7	—	7,405.8
Investments in subsidiaries	4,763.3	6,026.5	—	(10,789.8)	—
Due from affiliates	0.6	1,218.2	55.8	(1,274.6)	—
Other assets	—	5.0	15.2	—	20.2
	4,781.7	7,630.0	8,000.0	(12,064.4)	8,347.3
CURRENT LIABILITIES:					
Current portion of long-term debt	—	—	—	—	—
Accounts payable - trade	1.0	19.1	89.5	—	109.6
Deferred revenues	—	—	33.1	—	33.1
Accrued liabilities	0.7	119.4	65.9	—	186.0
Total current liabilities	1.7	138.5	188.5	—	328.7
Long-term debt, less current portion	—	2,692.4	—	—	2,692.4
Due to affiliates	2.9	55.8	1,215.9	(1,274.6)	—
Other liabilities	4.6	304.7	48.6	—	357.9
Deferred income taxes - net	—	544.5	150.8	(499.5)	195.8
Shareholders' equity	4,772.5	3,894.1	6,396.2	(10,290.3)	4,772.5
	\$ 4,781.7	\$ 7,630.0	\$ 8,000.0	\$ (12,064.4)	\$ 8,347.3

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Cash Flows
Year ended December 31, 2016
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATIONS	\$ (11.4)	\$ (82.8)	\$ 1,101.3	\$ (106.5)	\$ 900.6
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(44.5)	(73.1)	—	(117.6)
Proceeds from disposals of property and equipment	—	0.4	5.8	—	6.2
Collections on subsidiary note receivable	—	689.7	—	(689.7)	—
Investments in consolidated subsidiaries	(0.2)	(80.6)	—	80.8	—
Net cash provided by (used in) investing activities	(0.2)	565.0	(67.3)	(608.9)	(111.4)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Advances (to) from affiliates	(2.0)	58.2	(53.0)	(3.2)	—
Contributions from issuer	—	—	80.8	(80.8)	—
Proceeds from borrowings	—	500.0	—	—	500.0
Repayments of borrowings	—	(511.8)	(689.7)	689.7	(511.8)
Dividends paid	—	—	(109.7)	109.7	—
Debt issue costs	—	(8.7)	—	—	(8.7)
Excess tax benefits from share-based compensation	—	2.6	—	—	2.6
Net cash provided by (used in) financing activities	(2.0)	40.3	(771.6)	715.4	(17.9)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13.6)	522.5	262.4	—	771.3
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17.3	9.5	457.4	—	484.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3.7	\$ 532.0	\$ 719.8	\$ —	\$ 1,255.5

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Cash Flows
Year ended December 31, 2015
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATIONS	\$ (7.5)	\$ 4.7	\$ 1,047.1	\$ (47.4)	\$ 996.9
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(23.2)	(699.7)	—	(722.9)
Proceeds from disposals of property and equipment	—	2.9	16.5	—	19.4
Advances on subsidiary note receivable	—	(481.3)	—	481.3	—
Collections on subsidiary note receivable	36.6	503.5	—	(540.1)	—
Investments in consolidated subsidiaries	0.2	(37.7)	—	37.5	—
Net cash provided by (used in) investing activities	36.8	(35.8)	(683.2)	(21.3)	(703.5)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Advances (to) from affiliates	(7.4)	89.9	(80.9)	(1.6)	—
Contributions from issuer	—	—	37.5	(37.5)	—
Proceeds from borrowings	—	220.0	481.3	(481.3)	220.0
Repayments of borrowings	—	(317.9)	(540.1)	540.1	(317.9)
Dividends paid	(50.5)	—	(49.0)	49.0	(50.5)
Net cash used in financing activities	(57.9)	(8.0)	(151.2)	68.7	(148.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28.6)	(39.1)	212.7	—	145.0
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45.9	48.6	244.7	—	339.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 17.3	\$ 9.5	\$ 457.4	\$ —	\$ 484.2

Rowan Companies plc and Subsidiaries
Condensed Consolidating Statements of Cash Flows
Year ended December 31, 2014
(In millions)

	Rowan plc (Parent)	RCI (Issuer)	Non-guarantor subsidiaries	Consolidating adjustments	Consolidated
NET CASH PROVIDED BY OPERATIONS	\$ 63.8	\$ 82.5	\$ 452.9	\$ (176.2)	\$ 423.0
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(21.1)	(1,937.1)	—	(1,958.2)
Proceeds from disposals of property and equipment	—	14.6	7.4	—	22.0
Investments in consolidated subsidiaries	—	(105.3)	—	105.3	—
Net cash used in investing activities	—	(111.8)	(1,929.7)	105.3	(1,936.2)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Advances (to) from affiliates	(49.2)	(731.8)	782.2	(1.2)	—
Contributions from issuer	—	—	105.3	(105.3)	—
Proceeds from borrowings	—	793.4	—	—	793.4
Dividends paid	(37.7)	(75.0)	(102.4)	177.4	(37.7)
Debt issue costs	—	(0.7)	—	—	(0.7)
Proceeds from exercise of share options	4.7	—	—	—	4.7
Excess tax benefits from share-based compensation	—	(0.1)	—	—	(0.1)
Net cash provided by (used in) financing activities	(82.2)	(14.2)	785.1	70.9	759.6
DECREASE IN CASH AND CASH EQUIVALENTS	(18.4)	(43.5)	(691.7)	—	(753.6)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	64.3	92.1	936.4	—	1,092.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 45.9	\$ 48.6	\$ 244.7	\$ —	\$ 339.2

NOTE 17 – RELATED PARTIES

On August 22, 2016, at the request of Blue Harbour Group, LP ("Blue Harbour"), one of the Company's largest shareholders, the Board of Directors agreed to appoint Mr. Charles L. Szews to the Board, and the Company and Blue Harbour entered into a Nomination and Support Agreement ("Support Agreement") that the Company would nominate Mr. Szews for election at the next annual meeting of shareholders, and in exchange, Blue Harbour would not initiate, take, encourage, or participate in any action to obtain representation on the Board of Directors (the "Board") or alter the composition of the Board or management during the Support Period (as defined in the Support Agreement). If the Board determines to nominate Mr. Szews for re-election at the 2018 annual general meeting of shareholders, the Support Period is extended for another year.

Mr. Tore Sandvold is a director of the Company and a director of Schlumberger, a provider of equipment and services to the Company. The Company has engaged in transactions in the ordinary course of business with Schlumberger totaling \$28.4

million in 2016 for the purchase of equipment and services. These transactions were on an arm's-length basis and Mr. Sandvold was not involved in such transactions in any way.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited quarterly financial data for each full quarter within the two most recent years follows (in millions except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016:				
Revenues	\$ 500.2	\$ 611.9	\$ 379.4	\$ 351.8
Income (loss) from operations	167.4	276.2	33.6	41.2
Net income (loss)	122.8	216.7	5.5	(24.4)
Basic earnings (loss) per share	0.98	1.73	0.04	(0.19)
Diluted earnings (loss) per share	0.98	1.72	0.04	(0.19)
2015:				
Revenues	\$ 547.0	\$ 508.7	\$ 545.4	\$ 535.8
Income (loss) from operations	174.5	122.9	(170.6)	180.2
Net income (loss)	123.7	84.7	(239.4)	124.4
Basic earnings (loss) per share	0.99	0.68	(1.92)	1.00
Diluted earnings (loss) per share	0.99	0.68	(1.92)	0.99

The sum of the per-share amounts for the quarters may not equal the per-share amounts for the full year due to differences in the computation of weighted average shares for the quarters and full year.

Income from operations in the third quarter 2016 included a \$34.3 million noncash impairment charge to reduce the carrying values of five of our jack-up drilling units, partially offset by a \$1.4 million reversal of an estimated liability for settlement of a withholding tax matter during a tax amnesty period which was related to a legal settlement for a 2014 termination of a contract for refurbishment work on the *Rowan Gorilla III*, as noted below in the 2015 periods. Payment of such withholding taxes during the tax amnesty period resulted in the waiver of applicable penalties and interest.

Income (loss) from operations in the second and third quarters of 2015 included a \$5.0 million and a \$2.6 million adjustment, respectively, to an estimated liability for the 2014 termination of a contract in connection with refurbishment work on the *Rowan Gorilla III*. A settlement agreement for this matter was signed during the third quarter of 2015. In addition, in the third quarter of 2015, we recognized non-cash asset impairment charges totaling \$329.8 million.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

The Company's management has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures, as of the end of the period covered by this report, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act (ICFR). Our internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations, and therefore can only provide reasonable assurance with respect to financial statement preparation and presentation.

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Our management's assessment is that the Company did maintain effective ICFR as of December 31, 2016, within the context of the *Internal Control - Integrated Framework* (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and that the Company did not have a material change in ICFR during the fourth quarter of 2016.

See "Management's Report on Internal Control over Financial Reporting" included in Item 8 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes to our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2016 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our directors will appear in our proxy statement for the 2017 annual general meeting of shareholders to be filed pursuant to Regulation 14A of the Exchange Act (Regulation 14A) on or before May 1, 2017 under the caption "Election of Directors." Such information is incorporated herein by reference.

Information concerning our executive officers appears in Part I under the caption "Executive Officers of the Registrant" of this Form 10-K and is incorporated by reference.

Information concerning our Audit, Compensation and Nominating Committees will appear in our proxy statement for the 2017 annual general meeting of shareholders under the caption "Board of Directors Information." Such information is incorporated herein by reference. Our committee charters and corporate governance guidelines are available on our website, www.rowan.com.

Information concerning compliance with Section 16(a) of the Securities Exchange Act will appear in our proxy statement for the 2017 annual general meeting of shareholders under the caption "Additional Information - Section 16(a) Beneficial Ownership Reporting Compliance." Such information is incorporated herein by reference.

We have adopted a code of ethics that applies to the Company's directors, officers and employees, including the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other persons performing similar functions. Our code of ethics is available on our website, www.rowan.com. We will disclose on our website any amendment to or waiver from our code of ethics on behalf of any of our executive officers or directors.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning director and executive compensation will appear in our proxy statement for the 2017 annual general meeting of shareholders under the captions "Non-Executive Director Compensation," "Compensation Discussion and Analysis," and "Executive Compensation." Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning the security ownership of management will appear in our proxy statement for the 2017 annual general meeting of shareholders under the caption "Security Ownership of Management and Certain Beneficial Owners." Such information is incorporated herein by reference.

The business address of all directors is the principal executive offices of the Company as set forth on the cover page of this Form 10-K.

Equity Compensation Plan Information

The following table provides information about our ordinary shares that may be issued under equity compensation plans as of December 31, 2016 .

	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	129,566	\$15.78	8,950,686
Equity compensation plans not approved by security holders	—	—	—
Total	129,566	\$15.78	8,950,686

(1) The number of securities to be issued includes (i) 100,000 options and 29,566 shares issuable under outstanding SARs (see note (2) below).

(2) The weighted-average exercise price in column (b) is based on (i) 100,000 shares under outstanding options with a weighted average exercise price of \$15.31 per share, and (ii) 29,566 shares of stock that would be issuable in connection with 1,543,665 stock appreciation rights (SARs) outstanding at December 31, 2016 . The number of shares issuable under SARs is equal in value to the excess of the Company's share price on the date of exercise over the exercise price. The number of shares issuable under SARs included in column (a) was based on a December 31, 2016 closing stock price of \$18.89 and a weighted-average exercise price of \$30.67 per share.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning director and executive related party transactions will appear in our proxy statement for the 2017 annual general meeting of shareholders within the section and under the captions "Corporate Governance - Director Independence" and "Corporate Governance - Related Party Transaction Policy." Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is included in the proxy statement for the 2017 annual general meeting of shareholders under the caption "Audit Committee Report - Approval of Fees." Such information is incorporated herein by reference.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Index to Financial Statements, Financial Statement Schedules and Exhibits

(1) *Financial Statements*

See Part II, Item 8, "Financial Statements and Supplementary Data," beginning on page 41 of this Form 10-K for a list of financial statements filed as a part of this report.

(2) *Financial Statement Schedules*

SCHEDULE II
ROWAN COMPANIES PLC AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND ALLOWANCES
FOR THE THREE YEARS ENDED DECEMBER 31, 2016

Description	Balance at Beginning of Period	Additions			Balance at End of Period
		Charged to Expense, Net	Adjustments	Deductions	
(In millions)					
Year Ended December 31, 2016:					
Valuation allowance of deferred tax assets	\$ 128.3	\$ 761.5	\$ —	\$ —	\$ 889.8
Year Ended December 31, 2015:					
Valuation allowance of deferred tax assets	\$ 22.3	\$ 106.0	\$ —	\$ —	\$ 128.3
Year Ended December 31, 2014:					
Valuation allowance of deferred tax assets	\$ 25.9	\$ (3.6)	\$ —	\$ —	\$ 22.3

For the year ended December 31, 2016, management assessed negative and positive evidence and determined the need to establish a valuation allowance against the Luxembourg deferred tax assets of \$747 million as discussed in Note 12 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

For the December 31, 2015, an additional valuation allowance of \$62 million on the U.S. 2014 and prior years' deferred tax assets and an additional valuation allowance of \$43 million on the U.S. 2015 deferred tax assets has been recorded in 2015 to recognize only the portion of the deferred tax assets that is more likely to be realized.

Financial Statement Schedules I, III, IV, and V are not included in this Form 10-K because such schedules are not required, the required information is not significant, or the information is presented elsewhere in the financial statements.

(3) *Exhibits*

Unless otherwise indicated below as being incorporated by reference to another filing of the Company with the Securities and Exchange Commission, each of the following exhibits is filed herewith:

❖❖❖ 2.1	Rowan Asset Transfer and Contribution Agreement dated November 21, 2016 between Rowan Rex Limited and Saudi Aramco Development Company.
❖❖❖ 2.2	Saudi Aramco Asset Transfer and Contribution Agreement dated November 21, 2016 between Rowan Rex Limited and Saudi Aramco Development Company.
3.1	Articles of Association of the Company, incorporated by reference to Exhibit 3.1 of Rowan Companies, Inc.'s Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
4.1	Form of Share Certificate for the Company, incorporated by reference to Exhibit 4.5 of the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
4.2	Indenture for Senior Debt Securities dated as of July 21, 2009, between Rowan Companies, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on July 21, 2009 (File No. 1-5491).
4.3	First Supplemental Indenture dated as of July 21, 2009, between Rowan Companies, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on July 21, 2009 (File No. 1-5491).
4.4	Form of 7.875% Senior Note due 2019, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on July 21, 2009 (File No. 1-5491).

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- 4.5 Second Supplemental Indenture dated as of August 30, 2010, between Rowan Companies, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on August 30, 2010 (File No. 1-5491).
- 4.6 Form of 5% Senior Note due 2017, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on August 30, 2010 (File No. 1-5491).
- 4.7 Third Supplemental Indenture dated as of May 4, 2012, among Rowan Companies, Inc., the Company and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
- 4.8 Fourth Supplemental Indenture dated as of May 21, 2012, among Rowan Companies, Inc., the Company and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 21, 2012 (File No. 1-5491).
- 4.9 Form of 4.875% Senior Note due 2022, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 21, 2012 (File No. 1-5491).
- 4.10 Fifth Supplemental Indenture dated as of December 11, 2012, among Rowan Companies, Inc., the Company and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on December 11, 2012 (File No. 1-5491).
- 4.11 Form of 5.4% Senior Note due 2042, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on December 11, 2012 (File No. 1-5491).
- 4.12 Sixth Supplemental Indenture dated as of January 15, 2014, among Rowan Companies, Inc., Rowan Companies plc and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on January 15, 2014 (File No. 1-5491).
- 4.13 Form of 4.75% Senior Note due 2024, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on January 15, 2014 (File No. 1-5491).
- 4.14 Seventh Supplemental Indenture dated as of January 15, 2014, among Rowan Companies, Inc., Rowan Companies plc and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on January 15, 2014 (File No. 1-5491).
- 4.15 Form of 5.85% Senior Note due 2044, incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on January 15, 2014 (File No. 1-5491).
- 4.16 Eighth Supplemental Indenture dated as of December 19, 2016, among Rowan Companies, Inc., Rowan Companies plc and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on December 19, 2016 (File No. 1-5491).
- 4.17 Form of 7.375% Senior Note due 2025, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on December 19, 2016 (File No. 1-5491).
- 9 Nomination and Support Agreement between Rowan Companies plc and Blue Harbour Group LP and Blue Barbour Holdings, LLC, dated August 22, 2016, incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on August 23, 2016 (File No. 1-5491).
- *10.4 2005 Rowan Companies, Inc. Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed May 10, 2005 (File No. 1-5491) and Form of Non-Employee Director 2005 Restricted Stock Unit Grant, Form of Non-Employee Director 2006 Restricted Stock Unit Grant, Form of 2005 Nonqualified Stock Option Agreement related thereto, each incorporated by reference to Exhibits 10c, 10d, 10e, 10f and 10g, respectively, to Form 10-Q for the quarterly period ended June 30, 2005 (File No. 1-5491).
- *10.5 Form of Change in Control Agreement and Form of Change in Control Supplement, incorporated by reference to Exhibits 10.1 and 10.2 to Form 8-K filed December 21, 2007 (File 1-5491).
- 10.6 Form of Indemnification Agreement between Rowan Companies, Inc. and each of its directors and certain officers, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated November 2, 2009 (File No. 1-5491).
- ◇ *10.7 Restoration Plan of Rowan Companies, Inc. (as amended and restated effective January 1, 2013).
- 10.8 Share Purchase Agreement dated July 1, 2010, among Rowan Companies, Inc., Skeie Technology AS, Skeie Tech Invest AS and Wideluck Enterprises Limited and Pre-Acceptance Letters from Skeie Holding AS and Trafalgar AS, each relating to the purchase of shares of common stock of Skeie Drilling & Production ASA, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on August 19, 2010 (File No. 1-5491).
- 10.9 Amended and Restated Credit Agreement dated January 23, 2014 among Rowan Companies, Inc., as Borrower, Rowan Companies plc, as Parent, the Lenders named therein, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender and Citibank, N.A., DnB Bank ASA, New York Branch, Royal Bank of Canada, Bank of America, N.A., Barclays Bank PLC and Goldman Sachs Bank USA, as Co-Syndication Agents), incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 28, 2014 (File No. 1-5491).

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- 10.10 Amended and Restated Parent Guaranty dated as of January 23, 2014, by the Company, as Guarantor, in favor of Wells Fargo Bank, National Association, as Administrative Agent, incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 1-5491).
- 10.11 Stock Purchase Agreement dated May 13, 2011, between Rowan Companies, Inc., as seller, and Joy Global Inc., as buyer, relating to the sale of all the outstanding equity interests in LeTourneau Technologies, Inc., a wholly owned subsidiary of the Company, incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on May 18, 2011 (File No. 1-5491).
- 10.12 Purchase and Sale Agreement dated July 19, 2011, among Rowan Companies, Inc., as seller, and Ensign United States Drilling (S.W.) Inc., as buyer, and Ensign Energy Services Inc., as guarantor of the buyer's performance under the agreement, relating to the sale of all the outstanding equity interests in Rowan Drilling Company LLC, a wholly owned subsidiary of the Company, incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on July 20, 2011 (File No. 1-5491).
- *10.15 Amendment to the 2005 Rowan Companies, Inc. Long-Term Incentive Plan, effective May 4, 2012, incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
- *10.16 2009 Rowan Companies, Inc. Incentive Plan (as Amended and Restated and as Assumed and Adopted by the Company, effective May 4, 2012), incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on May 4, 2012.
- *10.17 Form of Restricted Share Notice pursuant to the 2009 Rowan Companies, Inc. Incentive Plan, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
- *10.18 Form of Non-Employee Director Restricted Share Unit Notice pursuant to 2009 Rowan Companies, Inc. Incentive Plan, incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (File No. 1-5491).
- *10.19 Forms of Restricted Share Unit Award Notice, Share Appreciation Right Award Notice and Performance Unit Award Notice pursuant to the 2009 Rowan Companies, Inc. Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 8, 2013 (File No. 1-5491).
- *10.20 Deed of Assumption dated May 4, 2012, executed by the Company, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
- *10.21 Form of Supplement to Change in Control Agreement, incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
- 10.22 Form of Deed of Indemnity of the Company, incorporated by reference to Exhibit 10.13 of the Company's Current Report on Form 8-K filed on May 4, 2012 (File No. 1-5491).
- *10.23 Retirement Agreement with William H. Wells dated September 7, 2012, incorporated by reference to Exhibit 10.14 of the Company's Form 10-Q for the quarter ended September 30, 2012 (File No. 1-5491).
- *10.24 Retirement Policy of Rowan Companies, Inc., effective March 6, 2013, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 8, 2013 (File No. 1-5491).
- *10.25 2013 Rowan Companies plc Incentive Plan (effective April 26, 2013), incorporated by reference to Annex A to the Company's proxy statement filed on March 13, 2013 (File No. 1-5491).
- *10.26 Form of Employee Restricted Share Unit Notice pursuant to the 2013 Rowan Companies plc Incentive Plan (effective April 26, 2013), incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2013 (File No. 1-5491).
- *10.27 Form of Share Appreciation Right Notice pursuant to the 2013 Rowan Companies plc Incentive Plan (effective April 26, 2013), incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 30, 2013 (File No. 1-5491).
- *10.28 Form of Performance Unit Award Notice pursuant to Annex 2 to the 2013 Rowan Companies plc Incentive Plan (effective April 26, 2013), incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 30, 2013 (File No. 1-5491).
- *10.29 Non-Employee Director Restricted Share Unit Notice pursuant to Annex 1 to the 2013 Rowan Companies plc Incentive Plan (effective April 26, 2013), incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 30, 2013 (File No. 1-5491).
- *10.30 Form of Change in Control Agreement entered into with executives on or after April 25, 2014, incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-5491).
- *10.31 Amendment to Rowan Companies Incentive Plans, effective as of April 25, 2014, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on May 1, 2014 (File No. 1-5491).
- *10.32 Form of Waiver and Release Agreement, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 1-5491).

10.33	Extension Agreement and Amendment No. 2 dated effective January 25, 2016 to the Amended and Restated Credit Agreement dated January 23, 2014, as amended, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 29, 2016 (File No. 1-5491).
✧ *10.34	Summary of the Company's Annual Incentive Plan.
*10.35	Amendment to 2013 Rowan Companies plc Incentive Plan, effective April 28, 2016, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2016 (File No. 1-5491).
*10.36	Form of Non-Employee Director Restricted Share Award Notice, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 2, 2016 (File No. 1-5491).
*10.37	Retention Bonus Letter for T. Fred Brooks, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 11, 2016 (File No. 1-5491).
✧ ✧ 10.38	Shareholders' Agreement dated 21 November 2016 (G) between Saudi Aramco Development Company and Rowan Rex Limited Relating to the Offshore Drilling Joint Venture
✧ 21	Subsidiaries of the Registrant.
✧ 23	Consent of Independent Registered Public Accounting Firm.
✧ 24	Power of Attorney.
✧ 31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
✧ 31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
✧ 32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
✧ 32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
✧ 101.INS	XBRL Instance Document.
✧ 101.SCH	XBRL Taxonomy Extension Schema Document.
✧ 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
✧ 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
✧ 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
✧ 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Executive compensatory plan or arrangement.

✧ Filed herewith.

✧ Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

✧ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the Securities and Exchange Commission upon request.

Rowan agrees to furnish to the Commission upon request a copy of all instruments defining the rights of holders of long-term debt of the Company and its subsidiaries.

ITEM 16. FORM 10-K SUMMARY

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ROWAN COMPANIES PLC
(Registrant)

By: /s/ THOMAS P. BURKE

Thomas P. Burke
President and Chief Executive Officer

Date: February 24, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ THOMAS P. BURKE</u> (Thomas P. Burke)	President and Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
<u>/s/ STEPHEN M. BUTZ</u> (Stephen M. Butz)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2017
<u>/s/ DENNIS S. BALDWIN</u> (Dennis S. Baldwin)	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2017
<u>/s/ WILLIAM E. ALBRECHT</u> (William E. Albrecht)	Director	February 24, 2017
<u>/s/ SIR GRAHAM HEARNE</u> (Sir Graham Hearne)	Chairman of the Board	February 24, 2017
<u>/s/ THOMAS R. HIX</u> (Thomas R. Hix)	Director	February 24, 2017
<u>/s/ JACK B. MOORE</u> (Jack B. Moore)	Director	February 24, 2017
<u>/s/ SUZANNE P. NIMOCKS</u> (Suzanne P. Nimocks)	Director	February 24, 2017
<u>/s/ P. DEXTER PEACOCK</u> (P. Dexter Peacock)	Director	February 24, 2017
<u>/s/ JOHN J. QUICKE</u> (John J. Quicke)	Director	February 24, 2017
<u>/s/ TORE I. SANDVOLD</u> (Tore I. Sandvold)	Director	February 24, 2017
<u>/s/ CHARLES L. SZEWS</u> (Charles L. Szews)	Director	February 24, 2017

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

21 November 2016

ROWAN REX LIMITED
AND
SAUDI ARAMCO DEVELOPMENT COMPANY

ROWAN ASSET TRANSFER AND CONTRIBUTION AGREEMENT

related to

Saudi Aramco Rowan Drilling Company

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SPECIFICATIONS

THIS AGREEMENT is made on 21 November 2016

BETWEEN

- (1) **ROWAN REX LIMITED**, a limited company duly organised and existing under the laws of the British Overseas Territory of the Cayman Islands (“**Rowan**”); and
- (2) **SAUDI ARAMCO DEVELOPMENT COMPANY**, a limited liability company incorporated and registered in the Kingdom with commercial registration number 2052002216 and with its registered office at P.O. Box 500, Dhahran, 3131, the Kingdom (“**Saudi Aramco**”);

(Rowan and Saudi Aramco, together, the “**Shareholders**”)

WHEREAS

- (A) The Shareholders intend to form the Company as a 50/50 joint venture to own, operate and manage offshore drilling rigs in The Kingdom and provide services as a contracting company in accordance with the rules and requirements of the Saudi Arabian foreign investment regulations.
- (B) Following formation of the Company, the Company shall accede to this Agreement.
- (C) Rowan owns certain offshore drilling rigs and has agreed to contribute such rigs, together with certain related inventory and related assets, to the Company on certain dates at the applicable values set forth in and determined in accordance with Schedule 1 (*Valuation of Asset Contribution*).
- (D) Rowan, being the legal and beneficial owner of all the Assets, wishes to enter into this Agreement, and subject to the terms hereof, to contribute, transfer and deliver to the Company, each of the Assets on the applicable Asset Contribution Dates as is required to cover the full applicable Asset Contribution Value. In consideration for the contribution of the Assets, the Company shall enter into a subordinated shareholder loan agreement with Rowan on the terms set out in the Shareholders’ Agreement, for the issuance of shareholder loans with a face value equal to the full Asset Contribution Value.

IT IS AGREED THAT

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires:

“**Affected Party**” has the meaning given in Clause 24.1 (*Force Majeure Events*);

“**Affiliate**” means, in relation to any person, any Subsidiary or Ultimate Holding Company of that person and any other Subsidiary of that Ultimate Holding Company, but in relation to Saudi Aramco shall exclude:

- (a) the Government and Government Entities, as well as companies owned by the Government (including The Industrialization and Energy Services Company (TAQA) and the Public Investment Fund (PIF)), provided that, subject to paragraph (b) below, Saudi Arabian Oil Company and companies controlled by Saudi Arabian Oil Company shall be Affiliates of Saudi Aramco; and
- (b) the IK Manufacturing JV (as defined in the Shareholders’ Agreement) and the other joint ventures (and each of their Subsidiaries) to be established by Saudi Aramco (or any of

its Affiliates) which relate to (i) onshore drilling services or onshore drilling manufacturing, or (ii) the supply and/or customer chain of the IK Manufacturing JV (as such term is defined in the Shareholders' Agreement) or the onshore drilling manufacturing joint venture, including offshore and subsea EPCI, casting and forging manufacturing services, engine manufacturing and the energy industrial city;

“ **Agreement** ” means this Rowan Asset Transfer and Contribution Agreement;

“ **Applicable Law** ” means any decree, law (including Islamic Shari'a), regulation, ministerial resolution or order, implementing regulation, statute, act, ordinance, rule, directive (to the extent having the force of law), order, treaty, code or rule (including with respect to drilling activities), as enacted, issued or promulgated in The Kingdom, or any interpretation thereof, by a Government Entity having jurisdiction over the matter in question;

“ **Asset Contribution** ” has the meaning given in Clause 2.2 (*Contribution of Assets*);

“ **Asset Contribution Closing Date** ” means in relation to the relevant Asset, the date on which Closing occurs;

“ **Asset Contribution Date** ” means the applicable Asset Contribution date set forth in Schedule 2 (*Assets*) or, in the case of a Replacement Rig, the date determined in accordance with Clause 5.1, 5.4 or 5.8 (*Loss of or Delays in Contributing a Rig*) (as applicable);

“ **Asset Contribution Value** ” means (as applicable):

- (a) with respect to each of the Rigs and its related Assets (excluding the Non-Rig Inventory), the value of that Rig and its related Assets set out in Part I of Schedule 1 (*Valuation of Asset Contribution*);
- (b) with respect to a Replacement Rig and its related Assets (excluding the Non-Rig Inventory), the value of the relevant Replacement Rig and its related Assets determined in accordance with Part II of Schedule 1 (*Valuation of Asset Contribution*); and
- (c) with respect to Non-Rig Inventory, the value of such Non-Rig Inventory determined in accordance with Part II of Schedule 1 (*Valuation of Asset Contribution*).

“ **Assets** ” means:

- (a) the Rigs;
- (b) the Inventory;
- (c) the Contracts; and
- (d) Books and Records,

excluding any existing Intellectual Property, working capital, liabilities, receivables and other similar assets, which shall be retained by Rowan; and for purposes of this Agreement, the “related Assets” of a Rig shall exclude the Non-Rig Inventory;

“ **Books and Records** ” means books and records of Rowan relating to the ownership, operation and maintenance of the Rigs, including drawings, operating and testing procedures and instruction manuals;

“ **Business Day** ” means a day (other than a Friday or Saturday) on which banks in The Kingdom are open for ordinary banking business;

“ **Claim** ” means with respect to any person, any and all suits, sanctions, legal proceedings, claims, assessments and judgments made against such person, together with related attorney’s fees;

“ **Closing** ” means a closing of an Asset Contribution in accordance with Clause 4 (*Asset Contribution Closing*);

“ **Company** ” means Saudi Aramco Rowan Drilling Company, a limited liability company to be incorporated in The Kingdom by the Shareholders in accordance with the terms of the Shareholders’ Agreement;

“ **Company Group** ” has the meaning given in Clause 7.1 (*Indemnities*);

“ **Conditions** ” has the meaning given in Clause 3 (*Conditions to Asset Contribution Closing*);

“ **Confidential Information** ” has the meaning given in Clause 12.1 (*Confidentiality and Announcements*);

“ **Consequential Damages** ” means special, indirect or consequential damages as construed by Applicable Law as well as all of the following regardless of whether such are construed as special, indirect or consequential damages or as direct damages under Applicable Law: loss or deferment of production, business interruption, loss or deferment of revenue, lost or wasted overhead, loss of or anticipated loss of or failure to obtain any contract, and failure, deferment or inability to produce, process, use, take delivery of, transport or deliver or delay or interruption in producing, processing, using, taking delivery of, transporting or delivering hydrocarbons; provided that (for the avoidance of doubt) Rowan’s express payment obligations under this Agreement are not intended to fall within this definition;

“ **Contracts** ” means, in respect of any Asset, the contracts and agreements set forth in Schedule 7 (*Contracts*) related to or associated with such Asset;

“ **Contribution SCA** ” has the meaning given in Clause 3.1 (*Conditions to Asset Contribution Closing*);

“ **Delayed Asset Contribution Date** ” has the meaning given in Clause 5.6 (*Loss of or Delays in Contributing a Rig*);

“ **Dispute** ” has the meaning given in Clause 26.3 (*Governing Law and Jurisdiction*);

“ **Employee Matters Agreement** ” means the employee matters agreement to be entered into among Saudi Aramco, Rowan and the Company;

“ **Employees** ” means those individuals employed by Rowan or its Affiliates which on the first Closing are assigned to the Rigs;

“ **Event of Loss** ” means, in respect of any Rig, an event of effective or constructive total loss;

“ **Execution Date** ” means the date of this Agreement first written above;

“ **Force Majeure Event** ” has the meaning given in Clause 24.2 (*Force Majeure Events*);

“ **Government** ” means the government of The Kingdom;

- “ **Government Entity** ” means any ministry, agency, court, regulatory or other authority or institution of the Government;
- “ **Holding Company** ” shall have the meaning given in Clause 1.2(a) (*Definitions and Interpretation*)
- “ **Hull Degradation** ” means any wear and tear with respect to preload tanks, hull condition and voids as such conditions would be required to be maintained by the relevant classification society pursuant to an SPS;
- “ **Indemnified Group** ” has the meaning given in Clause 7.4 (*Indemnities*);
- “ **Indemnified Party** ” has the meaning given in Clause 7.4 (*Indemnities*);
- “ **Indemnifying Party** ” has the meaning given in Clause 7.4 (*Indemnities*);
- “ **Initial SCA** ” has the meaning given in Clause 2.4;
- “ **Intellectual Property** ” means patents, rights to inventions, copyright and related rights, trade marks, business names and domain names, goodwill and the right to sue for passing off, rights in designs, database rights, rights to use, and protect the confidentiality of, Confidential Information (including know-how), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted renewals or extensions of, and rights to claim priority from, such rights, and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;
- “ **Inventory** ” means consumable stock and spare parts, tubulars (drill pipe, drill collars and heavyweight drill pipe) and spare capitalized assets which are used to support the Rigs and includes, as applicable, the Non-Rig Inventory;
- “ **Inventory Cut-Off Date** ” means the date that is fourteen (14) days prior to the initial Asset Contribution Date;
- “ **Lien** ” means any mortgage, pledge, lien, security interest, option agreement, claim, charge or encumbrance of any kind;
- “ **Losses** ” means all costs, losses, liabilities, damages, claims, demands, proceedings, expenses, penalties, fines and legal and other professional fees;
- “ **Managed Rig** ” has the meaning given to such term in the Shareholders’ Agreement;
- “ **Marad Consent** ” has the meaning given in Clause 4.7 (*Asset Contribution Closing*);
- “ **MOU** ” means that certain Memorandum of Understanding, dated 1 December 2015, between Saudi Arabian Oil Company and RDC Arabia Drilling, Inc.;
- “ **Non-Rig Inventory** ” means the Inventory owned by Rowan and not related to a particular Rig, as described in Section 2 of Schedule 2 (*Assets*);
- “ **Non-Rig Inventory Schedule** ” means a schedule setting forth each item of Non-Rig Inventory;
- “ **Note** ” means an interest-free promissory note substantially in the form set forth in Schedule 6 (*Form of Note*);
- “ **Party** ” means:

- (a) as at the Execution Date, any of Rowan or Saudi Aramco, as appropriate and “ **Parties** ” means Rowan and Saudi Aramco; and
- (b) on and from the date the Company, Rowan and Saudi Aramco executes the deed of adherence substantially in the form set forth in Schedule 8 (*Form of Agreement of Adherence*), any of Rowan, Saudi Aramco or the Company, as appropriate, and “ **Parties** ” means Rowan, Saudi Aramco and the Company,

and references to “Party” or “Parties” shall include their successors in title, personal representatives and permitted assigns;

“ **Permits** ” means any consent, permission, licence, accreditation, classification, approval or other authorisation issued, registration made or exemption granted, pursuant to applicable law;

“ **Permitted Liens** ” means the Liens set forth in Schedule 3 (*Permitted Liens*);

“ **Project Operations Date** ” has the meaning given to such term in the Shareholders’ Agreement;

“ **Purchase Price Shortfall** ” has the meaning given in Clause 5.12;

“ **Replacement Rig** ” means an EXL class rig owned by Rowan which is to be contributed to the Company as a replacement for a Rig which has been materially damaged or which has suffered an Event of Loss, in accordance with this Agreement;

“ **Replacement Rig Appraisal Procedure** ” has the meaning given in Part II of Schedule 1 (*Valuation of Asset Contribution*);

“ **Rig Contribution Value** ” has the meaning given in Part II of Schedule 1 (*Valuation of Asset Contribution*);

“ **Rig Management Agreement** ” means the relevant Rig Management Agreement (as defined in the Shareholders’ Agreement) between Rowan and the Company;

“ **Rigs** ” means the rigs owned by Rowan and listed in Section 1 of Schedule 2 (*Assets*) and includes (as the context requires) any Replacement Rigs;

“ **Rowan** ” has the meaning given in the Preamble;

“ **Rowan Group** ” has the meaning given in Clause 7.1 (*Indemnities*);

“ **Rules** ” has the meaning given in Clause 26.2 (*Governing Law and Jurisdiction*);

“ **Saudi Aramco** ” has the meaning given in the Preamble, provided that in Schedule 13 (*Specifications*) a reference to Saudi Aramco means Saudi Aramco Customer;

“ **Saudi Aramco Customer** ” has the meaning given to such term in the Shareholders’ Agreement;

“ **Saudi Aramco Group** ” has the meaning given in Clause 7.1 (*Indemnities*);

“ **SCA Survey** ” means a detailed Systems Condition Assessment conducted by the American Bureau of Shipping or another mutually agreed third party in accordance with the terms of reference set forth on Schedule 4 (*SCA Survey Procedures*), the costs of which shall be borne equally by Rowan and Saudi Aramco;

“ **Shareholders** ” has the meaning given in the Preamble;

“ **Shareholders’ Agreement** ” means that certain Shareholders’ Agreement relating to the Company, dated as of the date hereof, among Rowan, Saudi Aramco and the Company;

“ **Shortfall Amount** ” means, in respect of a Replacement Rig, the difference between the Asset Contribution Value of such Replacement Rig (and its related Assets) and the Asset Contribution Value of the Rig (and its related Assets) for which such Replacement Rig is being contributed as a replacement;

“ **Specifications** ” means: (i) in respect of the JB58 Rig, the material specifications set forth on Schedule 13 (*Specifications*); and (ii) in respect of each Rig other than the JB58 Rig, the material specifications contained in Schedule G of the Saudi Aramco Customer ‘Contract for Offshore Drilling and Workover Rig’ with respect to that Rig;

“ **SPS** ” has the meaning given in Part II of Schedule 1 (*Valuation of Asset Contribution*);

“ **Standard Cost** ” means, in respect to any item of consumable stock, a value equal to:

- (a) if the item is deemed a low-value part and is not critical to operations, USD 0; or
- (b) if paragraph (a) above does not apply and an active supplier pricing agreement is in place, the pricing contained within the agreement; or
- (c) if paragraphs (a) and (b) above do not apply and the material master for the item was created within six (6) months of the date of valuation, the quote used to create the material master record; or
- (d) if paragraphs (a) to (c) above do not apply and:
 - (i) the item was purchased at least once within twelve (12) months of the date of valuation, the average trailing twelve (12) month purchase price; or
 - (ii) paragraph (i) above does not apply or the variance of such purchase prices determined in paragraph (i) above is greater than ten percent (10%), the average of purchases over the last five (5) years, after removing purchase prices greater than two (2) standard deviations from the mean; or
 - (iii) the item has not been purchased within the last five (5) years, the last historical price purchased;

“ **Subsidiary** ” shall have the meaning given in Clause 1.2(a) (*Definitions and Interpretation*);

“ **The Kingdom** ” means The Kingdom of Saudi Arabia;

“ **Third Party Claim** ” has the meaning given in Clause 7.4 (*Indemnities*);

“ **Transaction Agreements** ” has the meaning given to such term in the Shareholders’ Agreement;

“ **Ultimate Holding Company** ” means a Holding Company which is not also a Subsidiary;

“ **USD** ” means the lawful currency of the United States of America from time to time; and

“ **Warranties** ” means the representations and warranties set out in Clause 11 (*Warranties*).

1.2 In this Agreement, unless the context otherwise requires:

- (a) a company is a **Subsidiary** of another company, its **Holding Company** , if:

- (i) that other company:
 - (A) controls, alone, or, pursuant to an agreement with other members, a majority of the voting rights in it;
 - (B) has the right to appoint or remove a majority of its board of managers or directors; or
 - (C) has the power to govern the financial and operating policies of the entity under a statute or an agreement; or
 - (ii) it is a Subsidiary of a company that is itself a Subsidiary of that other company;
- (b) every reference to Applicable Law shall be construed also as a reference to all other laws made under the Applicable Law referred to and to all such laws as amended, re-enacted, consolidated or replaced or as their application or interpretation is affected by other laws from time to time and whether before or after the Execution Date provided that, as between the Parties, no such amendment or modification shall apply for the purposes of this Agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any Party;
- (c) references to clauses and schedules are references to Clauses of and Schedules to this Agreement, references to sections are references to Sections of the Schedule in which the reference appears and references to this Agreement include the Schedules;
- (d) references to the singular shall include the plural and vice versa and references to one gender include any other gender;
- (e) references to a “person” include any individual, partnership, body corporate, corporation sole or aggregate, state or agency of a state, and any unincorporated association or organisation, in each case whether or not having separate legal personality;
- (f) references to a “company” include any company, corporation or other body corporate wherever and however incorporated or established;
- (g) the words “best efforts” shall mean the use of diligence, good faith, and every realistic effort conducted in good faith in a commercially reasonable and prudent manner;
- (h) references to times of the day are to Dhahran time unless otherwise stated;
- (i) where the day on which any act, matter or thing is to be done is a day other than a Business Day, then that act, matter or thing shall be done on or by the next Business Day;
- (j) references to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (k) words introduced by the word “other” shall not be given a restrictive meaning because they are preceded by words referring to a particular class of acts, matters or things; and
- (l) general words shall not be given a restrictive meaning because they are followed by words which are particular examples of the acts, matters or things covered by the general words and the words “includes” and “including” shall be construed without limitation.
- 1.3 The headings and sub-headings in this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.

- 1.4 Each of the Schedules to this Agreement shall form part of this Agreement.
- 1.5 References to this Agreement include this Agreement as amended or varied in accordance with its terms.

2. CONTRIBUTION OF ASSETS

- 2.1 The Shareholders shall procure that, as soon as practicable following the Formation Date (as defined in the Shareholders' Agreement), the Company accedes to this Agreement by way of each Shareholder and the Company executing a deed of adherence substantially in the form set forth in Schedule 8 (*Form of Agreement of Adherence*).
- 2.2 Subject to the terms and conditions set out in this Agreement and in the Shareholders' Agreement, Rowan agrees to contribute, transfer and deliver to the Company, free of any Lien, other than Permitted Liens, all of Rowan's ownership, right, interest in and title to each of the Assets on the applicable Asset Contribution Date (each an "**Asset Contribution**").
- 2.3 As full consideration for the contribution, transfer and delivery to the Company by Rowan of each of the Assets, free of any Lien, other than Permitted Liens, on the applicable Asset Contribution Date, the Company shall enter into subordinated shareholder loan agreements in favour of Rowan, for the issuance of subordinated shareholder loans, with a face value equal to the relevant Asset Contribution Value, subject to, and in accordance with, the terms of this Agreement and the Shareholders' Agreement.
- 2.4 The Parties acknowledge and agree that the Asset Contribution Value with respect to a Rig (and its related Assets) set forth in Part I of Schedule 1 (*Valuation of Asset Contribution*) has been determined by third party valuation experts prior to the Execution Date, in each case in accordance with the MOU. The Parties further acknowledge that an SCA Survey will be conducted for each Rig and delivered to the Parties no more than forty-five (45) days following the Execution Date (the "**Initial SCA**").
- 2.5 If required, the Parties shall procure that the Asset Contribution Value with respect to a Replacement Rig (and its related Assets) shall be determined by third party valuation experts on or before the relevant Asset Contribution Date in accordance with the Replacement Rig Appraisal Procedure.
- 2.6 The Parties agree that any rigs and related assets, other than the Rigs and other Assets, that may be contributed by Rowan to the Company, shall be contributed under asset transfer and contribution agreements in substantially the same form as this Agreement, unless otherwise agreed between the Parties.

3. CONDITIONS TO ASSET CONTRIBUTION CLOSING

- 3.1 Closing of an Asset Contribution in respect of a Rig is conditional upon the following:
- (a) a second SCA Survey having been conducted not more than sixty (60) days prior to the relevant Asset Contribution Date in respect of the Rig to be contributed on the relevant Asset Contribution Date (the "**Contribution SCA**");
 - (b) Rowan having procured that (i) any Deficiencies identified in the Contribution SCA (as defined in Schedule 4 (*SCA Survey Procedures*)) have been repaired or rectified, or the relevant system and equipment replaced and (ii) any damage to property or equipment occurring prior to the Asset Contribution Closing Date, where the cost of repairing each incidence of damage is greater than \$50,000, has been remedied;

- (c) where the Asset Contribution is in respect of a Replacement Rig nominated by Rowan in accordance with Clause 5 (*Loss of or Delays in Contributing a Rig*), such Replacement Rig being accepted by Saudi Aramco and the Saudi Aramco Customer; and
 - (d) no Event of Loss having occurred in respect of the Rig to be contributed on the relevant Asset Contribution Date,
- (together, the “ **Conditions** ”),

but the Company may waive (either in whole or in part) any of the Conditions set forth in Clauses 3.1(a), 3.1(b) and 3.1(c) (either in whole or in part) at any time by giving written notice to Rowan.

- 3.2 The Parties shall co-operate fully in all actions necessary to procure the satisfaction of the Conditions including the provision of all information reasonably necessary to make the filings required by Applicable Law to the relevant Government Entity.
- 3.3 If, in respect of any Rig (i) the Company waives the Condition set forth in Clause 3.1(b), or (ii) the Warranty set out in Clause 11.2(e) is untrue or inaccurate, then Rowan shall reimburse to the Company, on demand, all costs and expenses incurred by the Company following the Asset Contribution Closing Date in remedying any Deficiency (including the costs and expenses incurred by the Company in repairing, rectifying and/or replacing the relevant system and equipment) or repairing such damage. With respect to any and all defects which are classified in the Initial SCA as “Inoperable and Immaterial” (as defined in Schedule 4 (*SCA Survey Procedures*)), Rowan shall have no obligation at any time either to repair or rectify any such defects pursuant to Clause 3.1(b) or to reimburse to the Company any costs and expenses in remedying such defects pursuant to this Clause 3.3. The Parties specifically agree that the Company’s sole compensation for any defects that constitute Hull Degradation shall be pursuant to the Adjusted Asset Contribution Value mechanism described in Section 1.2 of Part II of Schedule 1 (*Valuation of Asset Contribution*) and Rowan shall have no obligation at any time either to repair or rectify any such defects pursuant to Clause 3.1(b) or to reimburse to the Company any costs and expenses in remedying such defects pursuant to this Clause 3.3.

4. ASSET CONTRIBUTION CLOSING

- 4.1 Closing in respect of an Asset Contribution shall take place at the offices of the Company (or at any other place as agreed in writing by the Parties) on the later to occur of the relevant Asset Contribution Date and the date which is five (5) Business Days after the last of the Conditions to be satisfied for such Asset Contribution has been satisfied, or waived in writing by the Company, in accordance with Clause 3 (*Conditions to Asset Contribution Closing*) (or such other date and place as agreed in writing by the Parties).
- 4.2 At each Closing:
 - (a) Rowan shall deliver to the Company and Saudi Aramco each of the following:
 - (i) a certificate from Rowan in the form attached hereto as Schedule 9 (*Form of Rowan’s Closing Certificate*), dated the applicable Asset Contribution Closing Date, confirming that the relevant Warranties from Rowan are true and correct as at the Asset Contribution Closing Date and enclosing a secretary’s certificate attesting to the due authorization of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;
 - (ii) the documents listed in Schedule 5 (*Delivery Documents*) in respect of the relevant Assets; and

- (iii) possession, custody, control, free of any Liens, other than Permitted Liens, and otherwise on the terms and conditions of this Agreement, of the applicable Assets in The Kingdom;
- (b) where such Asset Contribution is in respect of a Replacement Rig (and its related Assets) whose Asset Contribution Value is:
- (i) less than the Asset Contribution Value of the Rig (and its related Assets) for which it is being contributed as a replacement, Rowan shall pay to the Company an amount equal to the Shortfall Amount; or
 - (ii) greater than the Asset Contribution Value of the Rig (and its related Assets) for which it is being contributed as a replacement, Saudi Aramco shall pay to the Company an amount equal to the Shortfall Amount and the Company shall enter into a subordinated shareholder loan agreement in favour of Saudi Aramco, in accordance with the terms of this Agreement and the Shareholders' Agreement, for the issue of subordinated shareholder loans, with a face value equal to the Shortfall Amount;
- (c) Saudi Aramco shall deliver to the Company and Rowan a certificate in the form attached hereto as Schedule 10 (*Form of Saudi Aramco (Non-Contributing) Closing Certificate*), dated the applicable Asset Contribution Closing Date, confirming that the relevant Warranties from Saudi Aramco are true and correct as at the Asset Contribution Closing Date and enclosing a secretary's certificate attesting to the due authorization of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;
- (d) the Company shall deliver to Rowan and Saudi Aramco a certificate in the form attached hereto as Schedule 11 (*Form of Company Closing Certificate*), dated the applicable Asset Contribution Closing Date, confirming that the relevant Warranties from the Company are true and correct as at the Asset Contribution Closing Date and enclosing a secretary's certificate attesting to the due authorization of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;
- (e) other than where Clause 5.14 applies with respect to such Rig (or, in the case of a Replacement Rig, the Rig in respect of which such Replacement Rig is being contributed as a replacement for), the Company shall enter into the relevant subordinated shareholder loan agreements in favour of Rowan, in accordance with the terms of the Shareholders' Agreement, for the issuance of subordinated shareholder loans to Rowan with a face value equal to the Asset Contribution Value of those Assets being contributed on the Asset Contribution Closing Date; and
- (f) the Parties (or their duly authorised representatives) shall jointly execute a certificate, dated the Asset Contribution Closing Date, confirming that the Asset Contribution Closing has occurred, in substantially the form of Schedule 12 (*Form of Joint Certificate of Asset Contribution Closing*).
- 4.3 Rowan undertakes to procure that any subsisting Permitted Liens to which the Assets are subject are discharged within thirty (30) days after Closing unless the Company specifically agrees otherwise, and Rowan hereby indemnifies the Company and holds it harmless against any Losses suffered by the Company as a result of Rowan's failure to discharge any Lien (whether a Permitted Lien or otherwise) which subsists over the Assets at the date of Closing.

- 4.4 The documents listed in Schedule 5 (*Delivery Documents*), other than Item 2 (transcript of Registry) and Item 4 (declaration of class) will be made available to the Company not less than five (5) Business Days before the Asset Contribution Date.
- 4.5 Any transfer taxes payable in The Kingdom in connection with the transfer of the Assets shall be for the account of the Company, other than in respect of any importation, customs, excise or similar taxes payable in The Kingdom in respect of the transfer of the JB58 Rig, which shall be for Rowan's account. Any other transfer taxes, fees or expenses incurred in connection with the transfer of the Assets or in closing Rowan's account (or the account of the legal owner) with the Marshall Islands shall be for Rowan's account.
- 4.6 The Company shall be entitled to set off against any amount outstanding under any subordinated shareholder loan agreement in favour of Rowan in accordance with this Agreement and the Shareholders' Agreement, any unpaid amount which is agreed or determined to be due from Rowan pursuant to this Agreement.
- 4.7 If the consent of the United States Maritime Administration (" **Marad Consent** ") is required for the contribution, transfer and delivery of a Rig to the Company:
- (a) Rowan shall use best efforts to procure (so far as it is so able to procure) that the Marad Consent is obtained prior to the Asset Contribution Date of such Rig, including (i) by way of provision of all information reasonably necessary to make the filings required by United States Maritime Administration, (ii) making any self-certification reasonably required by the United States Maritime Administration and (iii) providing and/or maintaining any bonds or surety with the United States Maritime Administration in respect of such Rig; and
 - (b) the Company shall use best efforts to procure (so far as it is so able to procure) that the Marad Consent is obtained prior to the Asset Contribution Date of such Rig, including by way of the entry into any contract with the United States Maritime Administration on terms reasonably acceptable to the Company with respect to future transfers or changes in flag, provided, however, that neither the Company, Saudi Aramco nor any of their Affiliates shall be required to pay or commit to pay (or, save as expressly contemplated in this Agreement, incur any obligation in favour of) the United States Maritime Administration or any other person (other than nominal filing or application fees).
- 4.8 If any required Marad Consent has not been obtained in respect of a Rig prior to the relevant Asset Contribution Closing Date, legal ownership of the applicable Rig shall not be transferred to the Company and shall be retained by Rowan. Notwithstanding the foregoing, it is the intention of the Parties that the Asset Contribution be effective as at the Asset Contribution Closing Date, and that from and after the Asset Contribution Closing Date the Company shall be the beneficial owner of the Rig for all purposes and Rowan shall hold the Rig as nominee or trustee for the benefit of the Company until the Rig has been formally and legally transferred in the name of the Company, which transfer shall be effected no later than five (5) Business Days after the Marad Consent is obtained. It is the intention of the Parties that all the benefits and burdens of ownership of the Rig shall be transferred to the Company on the Asset Contribution Closing Date, and the Parties will use their best efforts to provide to, or cause to be provided to, the Company, to the extent permitted by Applicable Law, the rights, benefits, liabilities and obligations associated with the legal ownership of the Rig, and to take such other actions as are reasonably necessary in order to place the Company, insofar as reasonably possible, in the same position as if the Company were the legal owner of the Rig.

- 4.9 If any Marad Consent in respect of a Rig is not obtained, or becomes incapable of being obtained, by the date which is one hundred and eighty (180) days following the relevant Asset Contribution Closing Date, then the Company may request that Rowan procure that a Replacement Rig (acceptable to Saudi Aramco and the Saudi Aramco Customer) which is not subject to any Marad Consent is contributed in place of such Rig. Rowan shall use reasonable endeavors to contribute such Replacement Rig as soon as practicable, but in any event within one hundred and eighty (180) days of notice from the Company requesting the Replacement Rig. The provisions of Clauses 4.1 to 4.5 shall apply, *mutatis mutandis*, to the contribution of any such Replacement Rig. On the Asset Contribution Closing Date of such Replacement Rig, the beneficial interest and all the benefits and burdens of ownership of the Rig for which such Replacement Rig is being contributed as a replacement shall be transferred back to Rowan and the Parties shall take all steps reasonably necessary (including the execution and delivery of all documents), to unwind the beneficial transfer of such Rig (which occurred in accordance with Clause 4.8).
- 4.10 Rowan hereby indemnifies the Company and holds it harmless against any Losses suffered by the Company as a result of any of the Rigs which were subject to Marad Consent (or in respect of which the Company entered into a contract with the United States Maritime Administration as a condition of the acquisition of such Rig) being requisitioned by the United States Maritime Administration or the United States government. If (i) Rowan makes a payment to the Company under this Clause 4.10 and (ii) within twelve (12) months of such payment the Company receives any sum from a third party which it would not have received but for the requisition of such Rig (“**Third Party Sum**”) and (iii) the receipt of the Third Party Sum was not taken into account in calculating the amount paid by Rowan under this Clause 4.10, and (iv) the aggregate of the Third Party Sum and the amount paid by Rowan exceeds the amount required to compensate the Company in full for its Losses (such excess being the “**Excess Recovery**”), then the Company shall promptly following receipt of such Third Party Sum repay to Rowan an amount equal to the lower of (x) the Excess Recovery and (y) the amount paid by Rowan under this Clause 4.10, after deducting (in each case) all costs incurred by the Company in recovering the Third Party Sum and all taxes payable by the Company by virtue of its receipt.

5. LOSS OF OR DELAYS IN CONTRIBUTING A RIG

Event of Loss

- 5.1 If, for any reason, an Event of Loss occurs in respect of a Rig before the relevant Closing takes place, Rowan shall, subject to Clause 5.2, by giving notice to the Company within thirty (30) days of the occurrence of the Event of Loss, be entitled to provide a Replacement Rig. If Rowan so elects to provide a Replacement Rig, then Rowan shall in accordance with this Agreement be obliged to contribute the Replacement Rig in place of the Rig which suffered an Event of Loss and the relevant Asset Contribution Date (in respect of the Replacement Rig) shall be the later of (i) the date which is ninety (90) days after the date on which Rowan notified the Company that it was electing to provide a Replacement Rig (subject to any extension of such date as notified by the Company to Rowan) and (ii) the relevant Asset Contribution Date for the Rig which suffered the Event of Loss.
- 5.2 If Rowan fails to give notice of its election to provide a Replacement Rig (as contemplated by Clause 5.1) within thirty (30) days of the occurrence of the Event of Loss or if Saudi Aramco or the Saudi Aramco Customer rejects the Replacement Rig, then the Company shall procure a suitable replacement rig in accordance with the provisions of Clauses 5.10 to 5.13.
- 5.3 In relation to the Rig in respect of which an Event of Loss occurred, Rowan shall be entitled to retain the insurance proceeds payable under any relevant contract of insurance procured by Rowan.

Delay due to a Force Majeure Event

- 5.4 If as a direct result of a Force Majeure Event (other than an Event of Loss) there is likely to be a delay in Closing in respect of a Rig in excess of ninety (90) days from the relevant Asset Contribution Date, then Rowan shall, subject to Clause 5.5, by giving notice to the Company within thirty (30) days of the occurrence of the Force Majeure Event (or such later date as it first becomes likely that such Force Majeure Event will cause a delay in Closing in excess of ninety (90) days from the relevant Asset Contribution Date), be entitled to provide a Replacement Rig. If Rowan so elects to provide a Replacement Rig, then Rowan shall in accordance with this Agreement be obliged to contribute the Replacement Rig in place of the Rig which is subject to a Force Majeure Event and the relevant Asset Contribution Date (in respect of the Replacement Rig) shall be the date which is the later of (i) ninety (90) days after the date on which Rowan notified the Company that it was electing to provide a Replacement Rig (subject to any extension of such date as notified by the Company to Rowan) and (ii) the relevant Asset Contribution Date for the Rig which is the subject of the Force Majeure Event.
- 5.5 If Rowan does not elect to provide a Replacement Rig (as contemplated by Clause 5.4) or if Saudi Aramco or the Saudi Aramco Customer rejects the Replacement Rig, then if as a direct result of a subsisting Force Majeure Event (other than an Event of Loss) Closing in respect of a Rig has not occurred within one hundred and eighty (180) days from the relevant Asset Contribution Date, the Company shall procure a suitable replacement rig in accordance with the provisions of Clauses 5.10 to 5.13.

Other delay in delivery of a Rig

- 5.6 If, for any reason other than as a result of (x) an Event of Loss, (y) a subsisting Force Majeure Event or (z) a delay in obtaining Marad Consent in circumstances where Rowan is complying with its obligations under Clause 4.7, Closing in respect of a Rig does not occur by the date which is sixty (60) days from the relevant Asset Contribution Date (the “ **Delayed Asset Contribution Date** ”), then Rowan shall, subject to Clause 5.7, pay liquidated damages to the Company in the amount of:
- (a) [**] (except in the case that the relevant Rig is the GR38, in which case such amount shall be [**]) for each day commencing on the relevant Delayed Asset Contribution Date until the earlier to occur of (i) the date on which all Conditions to be satisfied for the Asset Contribution of the relevant Rig or a Replacement Rig (if any) have been satisfied and Rowan stands ready willing and able to contribute the Rig or Replacement Rig and (ii) the date which is one hundred and twenty (120) days following the relevant Asset Contribution Date (inclusive); and
 - (b) [**] (except in the case that the relevant Rig is the GR38, in which case such amount shall be [**]) for each day commencing on the day after the date which is one hundred and twenty (120) days following the relevant Asset Contribution Date until the earlier to occur of (i) the date on which all Conditions to be satisfied for the Asset Contribution of the relevant Rig or a Replacement Rig (if any) have been satisfied and Rowan stands ready, willing and able to contribute the Rig or Replacement Rig and (ii) the date which is one hundred and fifty (150) days following the relevant Asset Contribution Date (inclusive),

which amounts the Parties agree are a genuine pre-estimate of the Loss which will be suffered by the Company if the Assets are delivered late. For the avoidance of doubt, if there is an intervening Event of Loss or Force Majeure Event following the Delayed Asset Contribution Date and prior to the Closing in respect of the relevant Rig or Replacement Rig, liquidated damages shall not be payable under this Clause 5.6 from and after the occurrence of such Event

of Loss or Force Majeure Event and Rowan shall be entitled to elect to provide a Replacement Rig in accordance with Clause 5.1 or 5.4, as applicable.

- 5.7 Rowan shall have no obligation to pay liquidated damages under Clause 5.6 if delay in the relevant Closing was due to damage suffered by the Rig (i) while such Rig was in service as a Managed Rig or (ii) as a direct result of the Rig crew acting on direct instructions from the Saudi Aramco Customer in circumstances where such instructions were not consistent with good and prudent offshore drilling practice and, in each case, (x) such damage is not attributable to the gross negligence of Rowan and (y) Rowan is using best efforts to satisfy the Condition in Clause 3.1(b) in respect of the applicable Rig.
- 5.8 If, for any reason other than as a result of an Event of Loss or a subsisting Force Majeure Event, a Rig suffers material damage which is likely to result in the Closing in respect of that Rig occurring after the Delayed Asset Contribution Date, then Rowan shall, subject to Clause 5.9, by giving notice to the Company within thirty (30) days of the date on which the Rig suffered the relevant material damage, be entitled to provide a Replacement Rig. If Rowan so elects to provide a Replacement Rig, then Rowan shall in accordance with this Agreement be obliged to contribute the Replacement Rig in place of the Rig which has suffered material damage and the relevant Asset Contribution Date in respect of the Replacement Rig shall be the later of (i) ninety (90) days after the date on which Rowan gave the Company notice of its election to provide a Replacement Rig (subject to any extension of such date as notified by the Company to Rowan) and (ii) the relevant Asset Contribution Date of the Rig which suffered material damage. Rowan's election to provide a Replacement Rig under this Clause 5.8 does not affect its obligation to pay liquidated damages under Clause 5.6.
- 5.9 If Closing in respect of a Rig does not take place by the date which is one hundred and fifty (150) days following the relevant Asset Contribution Date (where such delay is not due to an Event of Loss, Force Majeure Event or caused by a material breach by the Company of its obligations under this Agreement), including in circumstances where Rowan does not elect to provide a Replacement Rig (as contemplated by Clause 5.8) or Saudi Aramco or the Saudi Aramco Customer rejects a Replacement Rig nominated by Rowan under Clause 5.8, the Company may terminate this Agreement with immediate effect by giving notice to Rowan and Saudi Aramco.

Procurement of replacement rig by the Company

- 5.10 If the Company is mandated to procure a replacement rig under Clause 5.2 or 5.5, the Company shall use best efforts to acquire a rig which is the same class as, or otherwise substantially similar to, the Rig which Rowan was not able to contribute as a result of an Event of Loss or subsisting Force Majeure and shall, unless otherwise directed by the board of managers of the Company, enter into a rig purchase agreement with respect to such replacement rig. Rowan shall (at no cost to the Company) provide technical assistance to the Company in procuring such suitable replacement rig.
- 5.11 If the Company enters into, or is to enter into, a rig purchase agreement for a replacement rig in accordance with Clause 5.10:
- (a) Rowan shall pay to the Company, on demand, an amount equal to (x) the Asset Contribution Value of the Rig (and its related Assets) which Rowan was not able to contribute as a result of an Event of Loss or subsisting Force Majeure and the Company shall enter into a subordinated shareholder loan agreement in favour of Rowan in accordance with the terms of the Shareholders' Agreement, for the issuance of subordinated shareholder loans with a face value equal to the Asset Contribution Value of that Rig (and its related Assets) or (y) where a Note has been issued in respect of the

Rig which Rowan was not able to contribute as a result of an Event of Loss or subsisting Force Majeure pursuant to Clause 5.14, the face value of that Note; and

- (b) if the Rig which Rowan was not able to contribute as a result of an Event of Loss or subsisting Force Majeure was SY55 or HB57 (or a Replacement Rig for such rigs), Saudi Aramco shall pay to the Company, on demand, an amount equal to the Asset Contribution Value of the Rig (and its related Assets) which Rowan was not able to contribute as a result of an Event of Loss or subsisting Force Majeure and the Company shall enter into a subordinated shareholder loan agreement in favour of Saudi Aramco, in accordance with the terms of the Shareholders' Agreement, for the issuance of subordinated shareholder loans with a face value equal to the Asset Contribution Value of that Rig (and its related Assets).
- 5.12 If the total purchase price of the replacement rig to be acquired by the Company exceeds the aggregate amount paid by Rowan and, if applicable, Saudi Aramco pursuant to Clause 5.11 (the amount by which the purchase price exceeds such aggregate amount being the “ **Purchase Price Shortfall** ”), the Company shall use all reasonable endeavours to fund the Purchase Price Shortfall in accordance with the provisions of the Shareholders' Agreement; provided that (i) for the avoidance of doubt, the Purchase Price Shortfall shall not form part of Rowan's and Saudi Aramco's respective Commitment Amounts (as defined in the Shareholders' Agreement) and (ii) the Company shall not, and Rowan and Saudi Aramco shall procure that the Company shall not, fund any part of the Purchase Price Shortfall from funds available to the Company which are required to be retained to meet the working capital and/or operational requirements of the Company for the then current financial year.
- 5.13 Following the satisfaction by Rowan of its payment obligations under Clause 5.11 in respect of a replacement rig, Rowan shall have no further obligation under this Agreement to contribute the Rig (and its related Assets) which was not able to be contributed as a result of an Event of Loss or subsisting Force Majeure.

General procedure for delay in contribution of a Rig

- 5.14 If, for any reason, Closing in respect of the JB58 Rig or BK56 Rig does not occur on the relevant Asset Contribution Date and a Replacement Rig is not contributed on such date:
- (a) Rowan shall issue a Note to the Company for an amount equal to the Asset Contribution Value of those Assets which were not contributed on such Asset Contribution Date; and
 - (b) the Company shall enter into a subordinated shareholder loan agreement in favour of Rowan, in accordance with the terms of this Agreement and the Shareholders' Agreement, for the issuance of subordinated shareholder loans with a face value equal to such Note provided that, notwithstanding the terms of the Shareholders' Agreement, such subordinated shareholder loans shall not accrue any interest until the earlier to occur of: (x) Closing in respect of such Rig (or a Replacement Rig (if any)); and (y) payment by Rowan of the face value of the Note pursuant to Clause 5.11.
- 5.15 At Closing of a Rig (or the applicable Replacement Rig (if any)) in respect of which a Note has been issued under Clause 5.14, the Note issued by Rowan shall be extinguished in full satisfaction and discharge for the contribution of the relevant Assets.
- 5.16 If this Agreement terminates in accordance with Clause 5.9, the Company shall be deemed to have:
- (a) demanded immediate payment of the relevant outstanding Note(s); and

- (b) set-off the amount payable in respect of such Note(s) against any amount outstanding under the subordinated shareholder loans issued by the Company in favour of Rowan pursuant to Clause 5.14(b).

6. CONTRACTS

- 6.1 Subject to Clause 6.2, from Closing the Company shall, in respect of the Assets contributed on that Closing:
- (a) be entitled to the benefit of the relevant Contracts;
 - (b) carry out, perform and complete all the obligations and liabilities to be discharged under the relevant Contracts; and
 - (c) indemnify Rowan against all Losses in respect of any failure on the part of the Company to carry out, perform and complete those obligations and liabilities.
- 6.2 Rowan shall indemnify the Company against all Losses in respect of any act or omission on the part of Rowan in relation to the relevant Contracts at or before Closing. Rowan shall transfer to the Company at Closing all open purchase orders relating to the Rigs and covering items of the type included in Non-Rig Inventory, and the Company shall assume responsibility of payment thereunder. Such open purchase orders are listed in Schedule 7 and shall be deemed closed if goods receipt has occurred prior to initial Asset Contribution Closing Date.
- 6.3 Insofar as the benefit or burden of any of the Contracts related to or associated with the Assets to be contributed on Closing cannot effectively be assigned to the Company except by an agreement or novation with or consent to the assignment from the person, firm or company concerned:
- (a) Rowan shall use its best efforts to procure the novation or assignment effective as at Closing;
 - (b) until the relevant Contract is novated or assigned, Rowan shall hold it in trust for the Company absolutely and the Company shall (if such sub-contracting is permissible and lawful under the Contract), as Rowan's sub-contractor, perform all the obligations of Rowan under the relevant Contract to be discharged after Closing and shall indemnify Rowan against all Losses in respect of any failure on the part of the Company to perform those obligations; and
 - (c) until the relevant Contract is novated or assigned, Rowan shall (so far as it lawfully may) give all reasonable assistance to the Company to enable the Company to enforce its rights under the relevant Contract.
- 6.4 If any contracting third party imposes a condition in a novation or assignment of a Contract or as a term of giving its consent to the Company assuming the rights and obligations of Rowan under such Contract then (provided that Rowan will not be obliged to make any payment, give any security or provide any guarantee as the basis for any such novation, assignment or consent) Rowan and the Company will co-operate in good faith with a view to finding a mutually acceptable means of satisfying the requirements of that third party without varying (otherwise than in any minor terms) the terms of such Contract or this Agreement relating to the rights and obligations to be assumed by the Company.

7. INDEMNITIES

- 7.1 The Company shall release, defend, indemnify and hold Rowan, its Affiliates, and the employees, officers and directors of Rowan and its Affiliates (the “**Rowan Group**”) harmless from and against any and all Losses in respect of the ownership or operation of an Asset which accrue or relate to the period from and after the relevant Asset Contribution Closing Date, without regard to the person or entity alleging the Claim including any member of the Company Group or the Saudi Aramco Group, any Government Entity, or any other person or entity, and without regard to the cause or causes of the Loss including any allegation of negligence, breach of contract, violation of Applicable Law, or breach of representation or warranty on the part of any member of the Rowan Group, any allegation that the Assets were in a defective condition prior to the Asset Contribution Closing Date, or any other theory of liability. For purposes of illustration, in the event the Company experiences a blowout the day after the Asset Contribution Closing Date in connection with its operation of a Rig, the Company will, subject to the terms of this Agreement, release, defend, indemnify and hold the Rowan Group harmless from all Claims related to such blowout. Provided that: (i) the Company’s obligation to release, defend, indemnify and hold harmless the Rowan Group in this Clause 7.1 shall not extend to any: (x) Claim by Saudi Aramco, its Affiliates, or any of the employees, officers or directors of Saudi Aramco and its Affiliates (the “**Saudi Aramco Group**”) or the Company, its Affiliates or any of the employees, officers or directors of the Company and its Affiliates (the “**Company Group**”) against Rowan under this Agreement or under any Transaction Agreement; or (y) Losses suffered by any member of the Saudi Aramco Group and/or the Company Group for which Rowan is liable under this Agreement or under any Transaction Agreement, and any such Claims and Losses shall not be affected or limited by this Clause 7.1; (ii) in computing the amount of any Losses solely for the purposes of determining the liability of the Company under this Clause 7.1: (x) the amount of any third-party insurance proceeds (less any reasonable third party costs and expenses directly incurred in recovering such amounts) actually received by a member of the Rowan Group in connection with such Losses shall be deducted from such Losses; (y) the amount of recoveries from any third party (less any reasonable third party costs and expenses directly incurred in recovering such amounts) with respect to such Losses actually received by a Rowan Group member shall be deducted from such Losses; and (z) the amount of any actual net reduction in taxes of any Rowan Group member arising from the incurrence or payment of any such Losses shall be deducted from such Losses; and (iii) Losses for the purpose of this Clause 7.1 shall exclude, for the avoidance of doubt, any diminution in the value of the Company, its assets and businesses and/or any impact on Rowan’s expected returns (whether in the form of dividends, debt repayments or otherwise) from the Company.
- 7.2 Rowan shall release, defend, indemnify and hold the Company Group harmless from and against any and all Losses in respect of the ownership or operation of an Asset which accrue or relate to the period prior to the relevant Asset Contribution Closing Date, without regard to the person or entity alleging the Claim including any member of the Rowan Group or the Saudi Aramco Group, any Government Entity, or any other person or entity, and without regard to the cause or causes of the Loss including any allegation of negligence, breach of contract, violation of Applicable Law, or breach of representation or warranty on the part of any member of the Saudi Aramco Group or any other theory of liability. Provided that: (i) Rowan’s obligation to release, defend, indemnify and hold harmless the Company Group in this Clause 7.2 shall not extend to any: (x) Claim by any member of the Rowan Group or the Saudi Aramco Group against the Company under this Agreement or under any Transaction Agreement; or (y) Losses suffered by any member of the Rowan Group and/or the Saudi Aramco Group for which the Company is liable under this Agreement or under any Transaction Agreement, and any such Claims and Losses shall not be affected or limited by this Clause 7.2; (ii) in computing the amount of any Losses solely for the purposes of determining the liability of the Company under this Clause 7.2: (x) the amount of any third-party insurance proceeds (less any reasonable third party costs and expenses directly incurred in recovering such amounts) actually received by a member of the Company Group in connection with such Losses shall be deducted from such Losses; (y) the

amount of recoveries from any third party (less any reasonable third party costs and expenses directly incurred in recovering such amounts) with respect to such Losses actually received by a Company Group member shall be deducted from such Losses; and (z) the amount of any actual net reduction in taxes of any Company Group member arising from the incurrence or payment of any such Losses shall be deducted from such Losses.

- 7.3 Rowan, Saudi Aramco and the Company shall, and shall procure that the members of the Rowan Group, the Saudi Aramco Group and the Company Group, respectively, take all reasonable steps to mitigate any Claim and/or Losses which potentially fall within the scope of Clause 7.1 or 7.2, including making claims under relevant policies of insurance and claims against relevant third parties.
- 7.4 For purposes of Clauses 7.4 through 7.6, each of Rowan and the Company shall be referred to (i) in their capacity as the party entitled to seek indemnification under Clause 7.1 or 7.2, as applicable, as the “ **Indemnified Party** ” and (ii) in their capacity as the Party required to indemnify the Indemnified Party, as the “ **Indemnifying Party** ”. The Indemnified Party, its Affiliates and their respective employees, officers and directors shall be referred to as the “ **Indemnified Group** ”. If a Claim arises as a result of, or in connection with, a liability or alleged liability of an Indemnified Group member to a third party (a “ **Third Party Claim** ”) for which the relevant Indemnified Group member is or may be entitled to seek protection or recourse from the Indemnifying Party under Clause 7.1 or 7.2, as applicable, then the Indemnified Party shall as soon as reasonably practicable give notice of such Third Party Claim to the Indemnifying Party together with such other reasonable details and information in relation to such claim as are available to members of the Indemnified Group.
- 7.5 Until the earlier of such time as the Indemnifying Party shall give any notice to the Indemnified Party as contemplated by Clause 7.6 and such time as any final compromise, agreement, expert determination or non-appealable decision of a court or tribunal of competent jurisdiction is made in respect of the Third Party Claim or the Third Party Claim is otherwise finally disposed of, the Indemnified Party shall:
- (a) procure that each relevant Indemnified Group member consults with the Indemnifying Party, and takes account of the reasonable requirements of the Indemnifying Party, in relation to the conduct of any dispute, defence, compromise or appeal of the Third Party Claim;
 - (b) keep, or procure that each relevant Indemnified Group member keeps, the Indemnifying Party reasonably informed of the progress of the Third Party Claim and provide, or procure that each relevant Indemnified Group member provides, the Indemnifying Party with copies of all documents and other information in the Indemnified Party’s or an Indemnified Group member’s possession as is relevant to the Third Party Claim and reasonably requested by the Indemnifying Party, subject to applicable confidentiality restrictions and Applicable Law; and
 - (c) procure that no relevant Indemnified Group member shall cease to defend the Third Party Claim or make any admission of liability, agreement or compromise in relation to the Third Party Claim without the prior written consent of the Indemnifying Party.
- 7.6 The Indemnifying Party may, at any time before any final compromise, agreement, expert determination or non-appealable decision of a court or tribunal of competent jurisdiction is made in respect of the Third Party Claim or the Third Party Claim is otherwise disposed of, give notice to the Indemnified Party that it elects to assume the conduct of any dispute, compromise, defence or appeal of the Third Party Claim and of any incidental negotiations on the following terms:

- (a) the Indemnifying Party shall indemnify the Indemnified Party and each relevant Indemnified Group member against all liabilities, charges, costs and expenses which they may incur in taking any such action as the Company may request pursuant to Clauses 7.6(b) and (c);
- (b) the Indemnified Party shall procure that each relevant Indemnified Group member makes available to the Indemnifying Party such persons and all such information as is relevant to the Third Party Claim and the Indemnifying Party reasonably requests for assessing, contesting, disputing, defending, appealing or compromising the Third Party Claim, subject to applicable confidentiality restrictions and Applicable Law;
- (c) the Indemnified Party shall procure that each relevant Indemnified Group member takes such action to assess, contest, dispute, defend, appeal or compromise the Third Party Claim as the Indemnifying Party may reasonably request and does not make any admission of liability, agreement, settlement or compromise in relation to the Third Party Claim without the prior written approval of the Indemnifying Party; and
- (d) the Indemnifying Party shall keep the Indemnified Party informed of the progress of the Third Party Claim and provide the Indemnified Party with copies of all relevant documents and such other information in its possession as may be requested by the Indemnified Party (acting reasonably).

8. EMPLOYEES

The transfer of the relevant Employees from Rowan to the Company shall be effected in accordance with the Employee Matters Agreement.

9. RETENTION AND TRANSFER OF TITLE, RISK OF LOSS

- 9.1 Title to the applicable Assets is hereby retained by Rowan to the exclusion of the Company, any creditor of the Company and all other persons whomsoever until the applicable Asset Contribution Closing Date, or such later date as legal ownership of the Asset is transferred in accordance with Clause 4.8, if applicable. For the avoidance of doubt, Rowan shall continue to enjoy the right, interest in and title to the applicable Assets during the period between the Execution Date and the applicable Asset Contribution Closing Date, subject to the terms of the Rig Management Agreements (as applicable).
- 9.2 All of Rowan's right, interest in and, except as otherwise provided in Clause 4.8, ownership of and title to the applicable Assets shall pass from Rowan to the Company on the applicable Asset Contribution Closing Date.
- 9.3 The care, custody and control of, and the risk of loss or damage to, the applicable Assets shall pass from Rowan to the Company on the applicable Asset Contribution Closing Date. The Company shall, and shall have sole responsibility to, operate, maintain and repair the applicable Assets after the applicable Asset Contribution Closing Date.

10. PROVISION OF CERTAIN INFORMATION

To the extent required, each of the Parties shall make available, and shall cause its respective Affiliates to make available, to each other on a reasonable basis, any and all information within its control necessary to investigate, defend against, or otherwise oppose any pending or threatened Claim against any Party or any of such Party's Affiliates, as the case may be, in connection with the Assets.

11. WARRANTIES

- 11.1 Each of the Parties hereby warrants to each of the other Parties that as at the Execution Date and on each Asset Contribution Closing Date:
- (a) It is duly organised, validly existing and in good standing under the respective laws of the jurisdiction in which it is organised.
 - (b) It has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby; that the execution and delivery of this Agreement and consummation of the transactions contemplated hereby have been duly authorised by all necessary action on the part of such Party.
 - (c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate, conflict with, or result in a breach of any Applicable Law or provision of such Party's organisational documents or any agreement, document or instrument to which it is subject or by which it or its assets are bound or require the consent or approval (if not already obtained) of any shareholder, partner, equity holder, holder of indebtedness or other person or entity, or contravene or result in a breach of or default under or the creation of any Lien, upon any property under any constitutive document, indenture, loan agreement, lease or other agreement, document or instrument to which a Party is a party, except as would not impair or prevent the Company's rights to acquire the Assets or materially impair or prevent the Company's exercise of its rights under this Agreement.
 - (d) There is no pending or, to the best of the relevant Party's knowledge, threatened, action, suit, investigation, arbitration or other proceeding that would materially impair or prevent such Party's ability to perform its obligations under this Agreement.
 - (e) Except with respect to any Marad Consent not obtained prior to the Asset Contribution Closing Date as provided in Clause 4.8, all material authorisations of and material exemptions, actions or approvals by, and all notices to or filings with, any Government Entity that are required by Applicable Law to have been obtained or made by the relevant Party, in connection with the execution and delivery of this Agreement or the performance by it of its material obligations hereunder will have been obtained or made and will be in full force and effect, and all material conditions of any such authorisations, exemptions, actions or approvals will have been complied with.
- 11.2 Rowan hereby further warrants to the Company in connection with an Asset Contribution that as at the applicable Asset Contribution Closing Date:
- (a) The relevant Asset is in its exclusive possession or under its direct control and that it has good, valid and marketable title to such Asset.
 - (b) It holds the relevant Asset free and clear of any and all Liens, other than Permitted Liens, and, except as otherwise provided in Clause 4.8, has the right to transfer all of its ownership, right, interest in and title to such Asset to the Company free and clear of any and all Liens, other than Permitted Liens.
 - (c) No Event of Loss has occurred.
 - (d) All material Permits that are the responsibility of the owner and operator of the relevant Rig and required to operate the relevant Rig in The Kingdom are held by Rowan, valid and subsisting in all material respects.

- (e) The Assets are in compliance with the Specifications; provided that any Rig which is under contract to the Saudi Aramco Customer immediately prior to the applicable Asset Contribution Date shall be deemed to be in compliance with the Specifications inasmuch as the Saudi Aramco Customer has had the opportunity to address material non-compliance with the Specifications between the Initial SCA and applicable Asset Contribution Date.
 - (f) There has been no transaction pursuant to or as a result of which any of the Assets is liable to be transferred or re-transferred to another person or which gives or may give rise to a right of compensation or other payment in favour of another person under the law of any relevant jurisdiction.
- 11.3 As of the Execution Date, each of the Company and Saudi Aramco has conducted a review and analysis of the applicable Assets and acknowledges that the Company, Saudi Aramco and their Affiliates (including, in the case of Saudi Aramco, Saudi Arabian Oil Company) and representatives have been provided access to the personnel, properties, premises and records of Rowan with respect to the Assets. Except for the Warranties expressly set forth in this Agreement, each of the Company and Saudi Aramco acknowledges and agrees that neither Rowan nor any of its Affiliates or any other person acting on their behalf makes any other express or implied representation or warranty with respect to the Assets, including value, performance, longevity, quality or otherwise, or with respect to any other information provided to the Company, Saudi Aramco or their Affiliates, agents or representatives, whether on behalf of Rowan or such other persons, including as to (i) the operation of an Asset by the Company after the applicable Asset Contribution Closing Date or (ii) the probable success or profitability of the ownership, use or operation of an Asset by the Company after the applicable Asset Contribution Closing Date, either individually or in the aggregate. Each of the Company and Saudi Aramco acknowledges that, except for the Warranties and in the circumstances contemplated by Clause 3.3, the Company takes the assets “*as is, where is*”, without warranties as to fitness, quality and performance. Each of the Company and Saudi Aramco further represents that neither Rowan nor any other person acting on behalf of Rowan has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Assets not expressly set forth in this Agreement.
- 11.4 Rowan shall not be liable for any Claim for a breach of the Warranty at Clause 11.2(e) to the extent that the matter giving rise to the Claim relates to any defects which are classified in the Initial SCA as “Inoperable and Immaterial” (as defined in Schedule 4 (*SCA Survey Procedures*)).

12. CONFIDENTIALITY AND ANNOUNCEMENTS

12.1 Subject to Clause 12.2, each Party:

- (a) shall treat as strictly confidential:
 - (i) the provisions of this Agreement and the process of their negotiation;
 - (ii) in the case of Rowan, any information received or held by Rowan or any of its representatives which relates to the Company or, following an Asset Contribution Closing Date, the relevant Assets;
 - (iii) in the case of Saudi Aramco, any information received or held by Saudi Aramco or any of its representatives which relates to the Company or, following an Asset Contribution Closing Date, the relevant Assets; and

(iv) in the case of the Company, any information received or held by the Company or any of its representatives which relates to Rowan or, prior to an Asset Contribution Closing Date, the relevant Assets,

(together “ **Confidential Information** ”); and

(b) shall not, except with the prior written consent of the other Parties (which shall not be unreasonably withheld or delayed), make use of (save for the purposes of performing its obligations under this Agreement) or disclose to any person (other than its representatives in accordance with Clause 12.3) any Confidential Information.

12.2 Clause 12.1 shall not apply to the disclosure of Confidential Information if and to the extent:

- (a) such disclosure is required by any laws, rules, regulations, directives or orders promulgated by any governmental authority or body having, or claiming to have, jurisdiction over the Parties or the operations hereunder;
- (b) the Confidential Information concerned has come into the public domain other than through its fault (or that of its representatives) or the fault of any person to whom such Confidential Information has been disclosed in accordance with this Clause 12;
- (c) has been lawfully disclosed to the relevant Party by a third party and that it has acquired free from any obligation of confidence to any other person;
- (d) such disclosure is to its professional advisers and Affiliates in relation to the negotiation, entry into or performance of this Agreement or any matter arising out of the same (provided that such persons are required to treat such information as confidential);
- (e) such disclosure is required to facilitate the obtaining of any consents required for the contribution, transfer and delivery of any of the applicable Assets to the Company; or
- (f) such disclosure is permitted in accordance with the Shareholders’ Agreement.

12.3 Each Party undertakes that it shall (and shall procure that its Affiliates shall) only disclose Confidential Information to a person referred to in Clause 12.2(d) or 12.2(e) where it is reasonably required for the purposes of exercising its rights or performing its obligations under this Agreement and the other Transaction Agreements and only where such persons are informed of the confidential nature of the Confidential Information and provisions of this Clause 12.

12.4 No Party shall make any announcement (including any communication to the public, to any customers, suppliers or employees or their Affiliates) concerning the subject matter of this Agreement without the prior written consent of the other (which shall not be unreasonably withheld or delayed) or where permitted under the terms of the Shareholders’ Agreement.

12.5 The provisions of this Clause 12 shall survive the termination of this Agreement and shall continue for a period of three (3) years therefrom.

13. FURTHER ASSURANCE

Rowan shall at its own cost, promptly execute and deliver all such documents and do all such things and provide all such information and assistance, as the Company may from time to time reasonably require for the purpose of transferring an Asset and giving full effect to the provisions of this Agreement and to secure for the Company the full benefit of the rights, powers and remedies conferred upon it under this Agreement.

14. ENTIRE AGREEMENT; REMEDIES; AND LIMITATION OF LIABILITY

- 14.1 This Agreement and the Shareholders' Agreement set out the entire agreement between the Parties relating to the contribution, transfer and delivery of the Assets and, save to the extent expressly set out in this Agreement, supersede and extinguish any prior drafts, agreements, undertakings, representations, warranties, promises, assurances and arrangements of any nature whatsoever, whether or not in writing, relating thereto. This Clause shall not exclude any liability for or remedy in respect of fraudulent misrepresentation.
- 14.2 If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail unless:
- (a) such other agreement expressly states that it overrides this Agreement in the relevant respect; and
 - (b) Rowan and Saudi Aramco are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.
- 14.3 The rights, powers, privileges and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers, privileges or remedies provided by Applicable Law.
- 14.4 In connection with this Agreement, no Party shall be liable to any other Party for any Consequential Damages. This Clause 14.4 shall not limit or exclude a Party's right to recover any Losses suffered or incurred as a result of, or in connection with, a Third Party Claim in accordance with Clause 7, or a claim in accordance with Clause 4.10.

15. WAIVER AND VARIATION

- 15.1 A failure or delay by a Party to exercise any right or remedy provided under this Agreement or by Applicable Law, whether by conduct or otherwise, shall not constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict any further exercise of that or any other right or remedy. No single or partial exercise of any right or remedy provided under this Agreement or by Applicable Law, whether by conduct or otherwise, shall preclude or restrict the further exercise of that or any other right or remedy.
- 15.2 A waiver of any right or remedy under this Agreement shall only be effective if given in writing and shall not be deemed a waiver of any subsequent breach or default.
- 15.3 No variation or amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties to this Agreement. Unless expressly agreed, no variation or amendment shall constitute a general waiver of any provision of this Agreement, nor shall it affect any rights or obligations under or pursuant to this Agreement which have already accrued up to the date of variation or amendment and the rights and obligations under or pursuant to this Agreement shall remain in full force and effect except and only to the extent that they are varied or amended.

16. INVALIDITY

Where any provision of this Agreement is or becomes illegal, invalid or unenforceable under Applicable Law then such provision shall be deemed to be severed from this Agreement and, if possible, replaced with a lawful provision which, as closely as possible, gives effect to the intention of the parties under this Agreement and, where permissible, that shall not affect or impair the legality, validity or enforceability in that, or any other, jurisdiction of any other provision of this Agreement.

17. NOTICES

17.1 Any notice or other communication to be given under this Agreement shall be given in writing in the English language and may be delivered in person (to the person designated to act and/or receive notice on behalf of the relevant Party) or sent by prepaid trackable courier service, or email to the relevant Party at the following addresses or such other address or email address as the relevant Party may notify the other Parties in writing from time to time (a “**Notice**”):

(a) If to Rowan:

For the attention of: General Counsel

Address: 2800 Post Oak Boulevard
Suite 5450
Houston, Texas 77056

E-mail address: meltre@rowancompanies.com

with a copy to:

Name: Rowan Companies plc

For the attention of: Rowan Legal

Address: 2800 Post Oak Boulevard
Suite 5450
Houston, Texas 77056

E-mail address: legal@rowancompanies.com

(b) If to Saudi Aramco:

For the attention of: VP New Business Development

Address: Saudi Aramco Al Midra Building, RM E-907A
Dhahran, 31311
Kingdom of Saudi Arabia

E-mail address: yasser.mufti@aramco.com

with a copy to:

For the attention of: General Counsel

Address: Saudi Aramco Main Administration Building; RM 335
PO Box 5000
Dhahran, 31311
Kingdom of Saudi Arabia

E-mail address: nabeel.mansour@aramco.com

(c) If to the Company after the date on which it has acceded to this Agreement, then in accordance with the notice details specified in the deed of adherence to be entered into by the Company in accordance with clause 2.1.

- 17.2 Any such Notice sent as aforesaid shall, if sent by email, be deemed delivered on the date of sending, if transmitted before 5.00 pm (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of sending. In proving service of a Notice by email, it is sufficient to prove that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's email system.

18. COSTS

Except as otherwise provided in this Agreement, each Party shall bear its own costs arising out of or in connection with the preparation, negotiation and implementation of this Agreement.

19. NO SET-OFF

Unless otherwise expressly allowed under this Agreement, every payment payable under this Agreement shall be made in full without any set-off or counterclaim howsoever arising and shall be free and clear of, and, save as required by Applicable Law, without deduction of, or withholding for or on account of, any amount which is due and payable to any Party under this Agreement or any other Transaction Agreement.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts. Each counterpart shall constitute an original of this Agreement but all the counterparts together shall constitute but one and the same instrument.

21. ENGLISH LANGUAGE

This Agreement and all related documents, instruments and other materials relating hereto (including notices, demands, requests, statements, certificates or other documents or communications) shall be in the English language, unless agreed otherwise by the Parties.

22. TERMINATION AND SURVIVAL

- 22.1 The termination of this Agreement shall not affect any accrued rights or liabilities of any Party in respect of any non-performance or breach of any obligation under this Agreement which occurred prior to its termination.
- 22.2 In respect of Asset Contributions made before termination of this Agreement, the following Clauses shall survive the termination of this Agreement, together with any other provisions which are expressed or intended to survive: Clauses 1 (*Definitions and Interpretation*), 4.3, 4.9 and 4.10 (*Asset Contribution Closing*), 6 (*Contracts*), 7 (*Indemnities*), 12 (*Confidentiality and Announcements*) (for a period of three (3) years from the date of termination), 14 (*Entire Agreement; Remedies; and Limitation of Liability*), 17 (*Notices*) and 26 (*Governing Law and Jurisdiction*).

23. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement shall be deemed to constitute a partnership between the Parties, nor constitute any Party constituting or becoming in any way the agent of another Party for any purpose.

24. FORCE MAJEURE EVENTS

- 24.1 Subject to Clauses 5.1 to 5.5 and 5.11 (*Loss of or Delays in Contributing a Rig*), if a Party (the “ **Affected Party** ”) is directly prevented or delayed from performing any of its obligations under this Agreement (other than an obligation to pay money which shall not be subject to relief pursuant to this Clause) by reason of a Force Majeure Event, the Affected Party shall not be liable for any delay or non-performance of those obligations which are affected by the Force Majeure Event during the period and to the extent that such obligations are prevented or delayed.
- 24.2 For the purposes of this Agreement, “ **Force Majeure Event** ” shall mean any circumstances beyond the reasonable control or ability of a Party to avoid, acting prudently and reasonably and without the fault or negligence of the Party affected by such circumstance that directly prevents or delays the performance of such Party’s obligations under this Agreement, including the following to the extent only that the foregoing requirements are satisfied in respect thereof:
- (a) natural disasters or acts of God, such as flood, fire, storm, cyclone, earthquake, or freezing temperature;
 - (b) acts of war or insurrection, such as declared or undeclared war, civil war, uprising, guerrilla activity, riot, acts of terrorism, or any other hostile act;
 - (c) shortage or non-availability of materials, parts, labour or transportation generally;
 - (d) labour disputes or any other labour conflict (not involving solely the employees of that Party);
 - (e) Government action, such as laws, rules, regulations, directives or orders promulgated by any governmental authority or body having, or claiming to have, jurisdiction over the Parties or the operations hereunder;
 - (f) Government inaction, such as failure or delay in granting import licenses or other Government permits or authorisations required to perform the activities contemplated hereby; and
 - (g) any other cause beyond the reasonable control of the Party claiming that its performance obligations have been affected by a Force Majeure Event, similar to or different from those already mentioned above; provided, always, that lack of funds shall not be interpreted as a cause which is not of a Party’s making nor within a Party’s reasonable control.
- 24.3 As soon as reasonably practicable after the start of the Force Majeure Event, the Affected Party shall notify the other Parties in writing of the act, event, or circumstance which constitutes a Force Majeure Event, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party’s ability to perform its obligations under this Agreement.
- 24.4 The Affected Party shall use its best efforts to mitigate the effects of the Force Majeure Event on the performance of its obligation under this Agreement.
- 24.5 Force Majeure Events shall not include any failure by a Party to make payment when due, failure of performance by any contractor or subcontractor where such failure is not caused by an event that would qualify hereunder as a Force Majeure Event or the acts or omissions of any Affiliate of a Party which is not caused by an event that would qualify hereunder as a Force Majeure Event.

- 24.6 As soon as reasonably practicable after the end of the Force Majeure Event, the Affected Party shall notify the other Parties in writing that the Force Majeure Event has ended and such Affected Party shall resume performance of its obligations under this Agreement.
- 24.7 None of the Parties shall be released from any of its obligations under this Agreement as a result of a Force Majeure Event. This Agreement shall remain in effect for the duration of a Force Majeure Event.

25. COMPLIANCE WITH APPLICABLE LAWS

- 25.1 Each Party shall perform its respective obligations and exercise its respective rights pursuant to this Agreement in compliance with all Applicable Laws.
- 25.2 Each Party shall monitor changes in Applicable Laws relevant to the performance of their obligations under this Agreement and shall notify the other Parties of any change in Applicable Laws which may require a change to this Agreement.

26. GOVERNING LAW AND JURISDICTION

- 26.1 This Agreement and any non-contractual rights or obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of The Kingdom.
- 26.2 The Parties irrevocably agree that any Dispute shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the “ **Rules** ”), which Rules are incorporated by reference into this Clause. There shall be a panel of three (3) arbitrators appointed in accordance with such Rules as in effect on the date hereof. The language of the arbitration shall be English and the place of arbitration shall be the Dubai International Financial Centre. The award or decision of the arbitrators shall be final, binding upon the Parties and non-appealable. Judgment upon the award or decision rendered by the arbitrators may be entered in any court having competent jurisdiction.
- 26.3 For the purposes of this Clause, “ **Dispute** ” means any dispute, controversy, claim or difference of whatever nature arising out of, relating to, or having any connection with this Agreement, including a dispute regarding the existence, formation, validity, interpretation, performance or termination of this Agreement or the consequences of its nullity and also including any dispute relating to any non-contractual rights or obligations arising out of, relating to, or having any connection with this Agreement.

This Agreement has been entered into on the date stated at the beginning of it.

SAUDI ARAMCO DEVELOPMENT COMPANY

By: /s/ Yasser M. Mufti _____

Name: **Yasser M. Mufti**

Title: **Chairman of the Board of Directors**

In the presence of:

Signature of witness /s/ Majid A. Mufti

Name of witness Majid A. Mufti

Address of witness Dhahran

Occupation of witness Head of Upstream Transactions

ROWAN REX LIMITED

By: /s/ Thomas P. Burke

Name: **Thomas P. Burke**

Title: **Director and President**

In the presence of:

Signature of witness /s/ Hisham Al-Shehri

Name of witness Hisham Al-Shehri

Address of witness Dhahran

Occupation of witness Drilling Eng.

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

EXECUTION VERSION

21 November 2016

ROWAN REX LIMITED
AND
SAUDI ARAMCO DEVELOPMENT COMPANY

**SAUDI ARAMCO ASSET TRANSFER AND CONTRIBUTION
AGREEMENT**

related to

Saudi Aramco Rowan Drilling Company

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FORM OF JOINT CERTIFICATE OF ASSET CONTRIBUTION CLOSING

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SPECIFICATIONS

THIS AGREEMENT is made on 21 November 2016

BETWEEN

- (1) **ROWAN REX LIMITED** , a limited company duly organised and existing under the laws of the British Overseas Territory of the Cayman Islands (“ **Rowan** ”); and
 - (2) **SAUDI ARAMCO DEVELOPMENT COMPANY** , a limited liability company incorporated and registered in the Kingdom with commercial registration number 2052002216 and with its registered office at P.O. Box 500, Dhahran, 3131, the Kingdom (“ **Saudi Aramco** ”),
- (Rowan and Saudi Aramco, together, the “ **Shareholders** ”).

WHEREAS

- (A) The Shareholders intend to form the Company as a 50/50 joint venture to own, operate and manage offshore drilling rigs in The Kingdom and provide services as a contracting company in accordance with the rules and requirements of the Saudi Arabian foreign investment regulations.
- (B) Following formation of the Company, the Company shall accede to this Agreement.
- (C) Saudi Aramco (or one of its Affiliates) owns certain offshore drilling rigs and has agreed to contribute, or procure the contribution of, such rigs, together with certain related inventory and related assets, to the Company on certain dates at the applicable values set forth in and determined in accordance with Schedule 1 (*Valuation of Asset Contribution*).
- (D) Saudi Aramco wishes to enter into this Agreement, and subject to the terms hereof, to contribute, transfer and deliver to the Company, or procure the contribution, transfer and delivery to the Company of, each of the Assets on the applicable Asset Contribution Dates as is required to cover the full applicable Asset Contribution Value. In consideration for the contribution of the Assets, the Company shall enter into a subordinated shareholder loan agreement with Saudi Aramco on the terms set out in the Shareholders’ Agreement, for the issuance of shareholder loans with a face value equal to the full Asset Contribution Value.

IT IS AGREED THAT

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires:

“ **Affected Party** ” has the meaning given in Clause 24.1 (*Force Majeure Events*);

“ **Affiliate** ” means, in relation to any person, any Subsidiary or Ultimate Holding Company of that person and any other Subsidiary of that Ultimate Holding Company, but in relation to Saudi Aramco shall exclude:

- (a) the Government and Government Entities, as well as companies owned by the Government (including The Industrialization and Energy Services Company (TAQA) and the Public Investment Fund (PIF)), provided that, subject to paragraph (b) below, Saudi Arabian Oil Company and companies controlled by Saudi Arabian Oil Company shall be Affiliates of Saudi Aramco; and
- (b) the IK Manufacturing JV (as defined in the Shareholders’ Agreement) and the other joint ventures (and each of their Subsidiaries) to be established by Saudi Aramco (or any of

its Affiliates) which relate to (i) onshore drilling services or onshore drilling manufacturing, or (ii) the supply and/or customer chain of the IK Manufacturing JV (as such term is defined in the Shareholders' Agreement) or the onshore drilling manufacturing joint venture, including offshore and subsea EPCI, casting and forging manufacturing services, engine manufacturing and the energy industrial city;

“ **Agreement** ” means this Saudi Aramco Asset Transfer and Contribution Agreement;

“ **Applicable Law** ” means any decree, law (including Islamic Shari'a), regulation, ministerial resolution or order, implementing regulation, statute, act, ordinance, rule, directive (to the extent having the force of law), order, treaty, code or rule (including with respect to drilling activities), as enacted, issued or promulgated in The Kingdom, or any interpretation thereof, by a Government Entity having jurisdiction over the matter in question;

“ **Asset Contribution** ” has the meaning given in Clause 2.2(a) (*Contribution of Assets*);

“ **Asset Contribution Closing Date** ” means, in relation to the relevant Asset, the date on which Closing occurs;

“ **Asset Contribution Date** ” means the applicable Asset Contribution date set forth in Schedule 2 (*Assets*);

“ **Asset Contribution Value** ” means:

- (a) with respect to each of the Rigs and its related Assets (excluding the Non-Rig Inventory), the value of that Rig and its related Assets set out in Part 1 of Schedule 1 (*Valuation of Asset Contribution*); and
- (b) with respect to the Non-Rig Inventory, the value of such Non-Rig Inventory as determined in accordance with Part 2 of Schedule 1 (*Valuation of Asset Contribution*).

“ **Assets** ” means:

- (a) the Rigs;
- (b) the Inventory;
- (c) the Contracts; and
- (d) Books and Records,

excluding any existing Intellectual Property, working capital, liabilities, receivables and other similar assets, which shall be retained by Saudi Aramco (or its relevant Affiliate); and for purposes of this Agreement, the “related Assets” of a Rig shall include the Rig Included Inventory in respect of such Rig but exclude the Non-Rig Inventory;

“ **Books and Records** ” means books and records of Saudi Aramco or its Affiliates relating to the ownership, operation and maintenance of the Rigs, including drawings, operating and testing procedures and instruction manuals;

“ **Business Day** ” means a day (other than a Friday or Saturday) on which banks in The Kingdom are open for ordinary banking business;

“ **Claim** ” means with respect to any person, any and all suits, sanctions, legal proceedings, claims, assessments and judgments made against such person, together with related attorney's fees;

- “ **Closing** ” means a closing of an Asset Contribution in accordance with Clause 4 (*Asset Contribution Closing*);
- “ **Company** ” means Saudi Aramco Rowan Drilling Company, a limited liability company to be incorporated in The Kingdom by the Shareholders in accordance with the terms of the Shareholders’ Agreement;
- “ **Company Group** ” has the meaning given in Clause 7.1 (*Indemnities*);
- “ **Conditions** ” has the meaning given in Clause 3 (*Conditions to Asset Contribution Closing*);
- “ **Confidential Information** ” has the meaning given in Clause 12.1 (*Confidentiality and Announcements*);
- “ **Consequential Damages** ” means special, indirect or consequential damages as construed by Applicable Law as well as all of the following regardless of whether such are construed as special, indirect or consequential damages or as direct damages under Applicable Law: loss or deferment of production, business interruption, loss or deferment of revenue, lost or wasted overhead, loss of or anticipated loss of or failure to obtain any contract, and failure, deferment or inability to produce, process, use, take delivery of, transport or deliver or delay or interruption in producing, processing, using, taking delivery of, transporting or delivering hydrocarbons; provided that (for the avoidance of doubt) Saudi Aramco’s express payment obligations under this Agreement are not intended to fall within this definition;
- “ **Contracts** ” means, in respect of any Asset, the contracts and agreements set forth in Schedule 7 (*Contracts*);
- “ **Contribution SCA** ” has the meaning given in Clause 3.1 (*Conditions to Asset Contribution Closing*);
- “ **Cut-Off Date** ” has the meaning given in Clause 5.5 (*Loss of or Delays in Contributing a Rig*);
- “ **Damaged Rig** ” has the meaning given in Clause 5.5 (*Loss of or Delays in Contributing a Rig*);
- “ **Delayed Asset Contribution Date** ” has the meaning given in Clause 5.4 (*Loss of or Delays in Contributing a Rig*);
- “ **Dispute** ” has the meaning given in Clause 26.3 (*Governing Law and Jurisdiction*);
- “ **Employee Matters Agreement** ” means the employee matters agreement to be entered into among Saudi Aramco, Rowan and the Company;
- “ **Employees** ” means those individuals employed by Saudi Aramco or its Affiliates which on the first Closing are assigned to the Rigs;
- “ **Event of Loss** ” means, in respect of any Rig, an event of effective or constructive total loss;
- “ **Execution Date** ” means the date of this Agreement first written above;
- “ **Force Majeure Event** ” has the meaning given in Clause 24.2 (*Force Majeure Events*);
- “ **Government** ” means the government of The Kingdom;
- “ **Government Entity** ” means any ministry, agency, court, regulatory or other authority or institution of the Government;

“ **Holding Company** ” has the meaning given in Clause 1.2(a) (*Definitions and Interpretation*);

“ **Indemnified Group** ” has the meaning given in Clause 7.4 (*Indemnities*);

“ **Indemnified Party** ” has the meaning given in Clause 7.4 (*Indemnities*);

“ **Indemnifying Party** ” has the meaning given in Clause 7.4 (*Indemnities*);

“ **Intellectual Property** ” means patents, rights to inventions, copyright and related rights, trade marks, business names and domain names, goodwill and the right to sue for passing off, rights in designs, database rights, rights to use, and protect the confidentiality of, Confidential Information (including know-how), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted renewals or extensions of, and rights to claim priority from, such rights, and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;

“ **Initial SCA** ” has the meaning given in Clause 2.4;

“ **Inventory** ” means consumable stock and spare parts, tubulars (drill pipe, drill collars and heavyweight drill pipe) and spare capitalized assets which are used to support the Rigs and includes the Rig Included Inventory and, as applicable, the Non-Rig Inventory;

“ **Inventory Cut-Off Date** ” means the date that is fourteen (14) days prior to the initial Asset Contribution Date;

“ **Lien** ” means any mortgage, pledge, lien, security interest, option agreement, claim, charge or encumbrance of any kind;

“ **Losses** ” means all costs, losses, liabilities, damages, claims, demands, proceedings, expenses, penalties, fines and legal and other professional fees;

“ **Matching Contribution** ” means the amount set forth in Section 4 of Schedule 2 (*Assets*) with respect to the applicable Matching Contribution Date, subject to any adjustment in accordance with Clause 5.6 and if such adjustment results in a negative number, the relevant Matching Contribution shall be deemed to be zero;

“ **Matching Contribution Date** ” means, in respect of a Matching Contribution, the date set forth in Section 4 of Schedule 2 (*Assets*);

“ **MOU** ” means that certain Memorandum of Understanding, dated 1 December 2015, between Saudi Arabian Oil Company and RDC Arabia Drilling, Inc.;

“ **Non-Rig Inventory** ” means the Inventory listed in the Non-Rig Inventory Schedule;

“ **Non-Rig Inventory Schedule** ” means the schedule set forth as Exhibit 2 to Schedule 2 (*Assets*), as it may be revised in accordance with Section 2.2 and Section 2.3 of Schedule 1 (*Valuation of Asset Contribution*);

“ **Note** ” means an interest-free promissory note substantially in the form set forth in Schedule 6 (*Form of Note*);

“ **Party** ” means:

- (a) as at the Execution Date, any of Rowan or Saudi Aramco, as appropriate, and “ **Parties** ” means Rowan and Saudi Aramco; and
- (b) on and from the date the Company, Rowan and Saudi Aramco execute the deed of adherence substantially in the form set forth in Schedule 8 (*Form of Agreement of Adherence*), any of Rowan, Saudi Aramco or the Company, as appropriate, and “ **Parties** ” means Rowan, Saudi Aramco and the Company,

and references to “Party” or “Parties” shall include their successors in title, personal representatives and permitted assigns;

“ **Permits** ” means any consent, permission, licence, accreditation, classification, approval or other authorisation issued, registration made or exemption granted, pursuant to applicable law;

“ **Permitted Liens** ” means the Liens set forth in Schedule 3 (*Permitted Liens*);

“ **Project Operations Date** ” has the meaning given to such term in the Shareholders’ Agreement;

“ **Purchase Price Shortfall** ” has the meaning given in Clause 5.10;

“ **Rig Included Inventory** ” means the Inventory listed in Exhibit 1 to Schedule 2 (*Assets*);

“ **Rigs** ” means the rigs owned by Saudi Aramco (or its relevant Affiliate) and listed in Section 1 of Schedule 2 (*Assets*);

“ **Rowan** ” has the meaning given in the Preamble;

“ **Rowan Asset Contribution Closing Date** ” means an ‘Asset Contribution Closing Date’ as determined under the Rowan ATCA, as applicable;

“ **Rowan ATCA** ” means that certain asset transfer and contribution agreement relating to the contribution of assets to the Company by Rowan, dated as of the date hereof, among Rowan, Saudi Aramco and the Company;

“ **Rowan Group** ” has the meaning given in Clause 7.1 (*Indemnities*);

“ **Rowan Non-Rig Inventory** ” means the ‘Non-Rig Inventory’ as that term is defined in the Rowan ATCA;

“ **Rules** ” has the meaning given in Clause 26.2 (*Governing Law and Jurisdiction*);

“ **Saudi Aramco** ” has the meaning given in the Preamble, provided that in Schedule 13 (*Specifications*) a reference to Saudi Aramco means Saudi Aramco Customer;

“ **Saudi Aramco Customer** ” has the meaning given to such term in the Shareholders’ Agreement;

“ **Saudi Aramco Group** ” has the meaning given in Clause 7.1 (*Indemnities*);

“ **SCA Survey** ” means a detailed Systems Condition Assessment conducted by the American Bureau of Shipping or another mutually agreed third party in accordance with the terms of reference set forth on Schedule 4 (*SCA Survey Procedures*), the costs of which shall be borne equally by Rowan and Saudi Aramco;

“ **Shareholders** ” has the meaning given in the Preamble;

“ **Shareholders’ Agreement** ” means that certain Shareholders’ Agreement relating to the Company, dated as of the date hereof, among Rowan, Saudi Aramco and the Company;

“ **Specifications** ” means the material specifications for such Rig which are required to enable such Rig to be accepted by Saudi Aramco Customer and commence operations under a ‘Contract for Offshore Drilling and Workover Rig’ with Saudi Aramco Customer as contained in Parts 1 and 2 of the attached Schedule 13 for SAR 201 and 202 respectively;

“ **SPS** ” means a special periodical survey and/or well control equipment recertification conducted by the American Bureau of Shipping;

“**Standard Cost** ” means, in respect to any item of consumable stock, a value equal to:

- (a) if the item is deemed a low-value part and is not critical to operations, USD 0; or
- (b) if paragraph (a) above does not apply and an active supplier pricing agreement is in place, the pricing contained within the agreement; or
- (c) if paragraphs (a) and (b) above do not apply and the material master for the item was created within six (6) months of the date of valuation, the quote used to create the material master record; or
- (d) if paragraphs (a) to (c) above do not apply and:
 - (i) the item was purchased at least once within twelve (12) months of the date of valuation, the average trailing twelve (12) month purchase price; or
 - (ii) paragraph (i) above does not apply or the variance of such purchase prices determined in paragraph (i) above is greater than ten percent (10%), the average of purchases over the last five (5) years, after removing purchase prices greater than two (2) standard deviations from the mean; or
 - (iii) the item has not been purchased within the last five (5) years, the last historical price purchased;

“ **Subsidiary** ” shall have the meaning given in Clause 1.2(a) (*Definitions and Interpretation*);

“ **The Kingdom** ” means The Kingdom of Saudi Arabia;

“ **Third Party Claim** ” has the meaning given in Clause 7.4 (*Indemnities*);

“ **Transaction Agreements** ” has the meaning given to such term in the Shareholders’ Agreement;

“ **Ultimate Holding Company** ” means a Holding Company which is not also a Subsidiary;

“ **USD** ” means the lawful currency of the United States of America from time to time;

“ **Warranties** ” means the representations and warranties set out in Clause 11 (*Warranties*); and

“ **Year** ” means a year of the Gregorian (G) calendar.

1.2 In this Agreement, unless the context otherwise requires:

- (a) a company is a **Subsidiary** of another company, its **Holding Company** , if:
 - (i) that other company:

- (A) controls alone, or pursuant to an agreement with other members, a majority of the voting rights in it;
 - (B) has the right to appoint or remove a majority of its board of managers or directors; or
 - (C) has the power to govern the financial and operating policies of the entity under a statute or an agreement; or
- (ii) it is a Subsidiary of a company that is itself a Subsidiary of that other company;
- (b) every reference to Applicable Law shall be construed also as a reference to all other laws made under the Applicable Law referred to and to all such laws as amended, re-enacted, consolidated or replaced or as their application or interpretation is affected by other laws from time to time and whether before or after the Execution Date provided that, as between the Parties, no such amendment or modification shall apply for the purposes of this Agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any Party;
 - (c) references to clauses and schedules are references to Clauses of and Schedules to this Agreement, references to sections are references to Sections of the Schedule in which the reference appears and references to this Agreement include the Schedules;
 - (d) references to the singular shall include the plural and vice versa and references to one gender include any other gender;
 - (e) references to a “person” include any individual, partnership, body corporate, corporation sole or aggregate, state or agency of a state, and any unincorporated association or organisation, in each case whether or not having separate legal personality;
 - (f) references to a “company” include any company, corporation or other body corporate wherever and however incorporated or established;
 - (g) the words “best efforts” shall mean the use of diligence, good faith, and every realistic effort conducted in good faith in a commercially reasonable and prudent manner;
 - (h) the words “commercially reasonable efforts” shall mean the use of reasonable efforts conducted in good faith in a commercially reasonable and prudent manner;
 - (i) references to times of the day are to Dhahran time unless otherwise stated;
 - (j) where the day on which any act, matter or thing is to be done is a day other than a Business Day, then that act, matter or thing shall be done on or by the next Business Day;
 - (k) references to writing shall include any modes of reproducing words in a legible and non-transitory form;
 - (l) words introduced by the word “other” shall not be given a restrictive meaning because they are preceded by words referring to a particular class of acts, matters or things; and
 - (m) general words shall not be given a restrictive meaning because they are followed by words which are particular examples of the acts, matters or things covered by the general words and the words “includes” and “including” shall be construed without limitation.

- 1.3 The headings and sub-headings in this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.4 Each of the Schedules to this Agreement shall form part of this Agreement.
- 1.5 References to this Agreement include this Agreement as amended or varied in accordance with its terms.

2. CONTRIBUTION OF ASSETS

- 2.1 The Shareholders shall procure that, as soon as practicable following the Formation Date (as defined in the Shareholders' Agreement), the Company accedes to this Agreement by way of each Shareholder and the Company executing a deed of adherence substantially in the form set forth in Schedule 8 (*Form of Agreement of Adherence*).
- 2.2 Subject to the terms and conditions set out in this Agreement and in the Shareholders' Agreement, Saudi Aramco agrees to, and, if applicable, shall procure that its Affiliates:
- (a) contribute, transfer and deliver, or procure the contribution, transfer and delivery of, to the Company, free of any Lien, other than any Permitted Liens, all of Saudi Aramco's (or its relevant Affiliate's) ownership, right, interest in and title to each of the Assets on the applicable Asset Contribution Date (each an " **Asset Contribution** "); and
 - (b) pay the Matching Contribution to the Company on each applicable Matching Contribution Date.
- 2.3 As full consideration for:
- (a) the contribution, transfer and delivery to the Company by or on behalf of Saudi Aramco of each of the Assets, free of any Lien, other than Permitted Liens, on the applicable Asset Contribution Date; and
 - (b) the payment to the Company of a Matching Contribution,
- the Company shall enter into subordinated shareholder loan agreements in favour of Saudi Aramco, for the issuance of subordinated shareholder loans, with a face value equal to the relevant Asset Contribution Value and/or Matching Contribution (as applicable), subject to, and in accordance with, the terms of this Agreement and the Shareholders' Agreement.
- 2.4 The Parties acknowledge and agree that the Asset Contribution Value with respect to a Rig (and its related Assets) set forth in Part 1 of Schedule 1 (*Valuation of Asset Contribution*) has been determined by third party valuation experts prior to the Execution Date, in each case in accordance with the MOU. The Parties further acknowledge that an SCA Survey will be conducted for each Rig and delivered to the Parties no more than forty-five (45) days following the Execution Date (the " **Initial SCA** ").
- 2.5 The Parties agree that any rigs and related assets, other than the Rigs and other Assets, that may be contributed by Saudi Aramco or its Affiliates to the Company, shall be contributed under asset transfer and contribution agreements in substantially the same form as this Agreement, unless otherwise agreed between the Parties.
- 2.6 Subject to Clause 2.7, on each Matching Contribution Date for which Saudi Aramco is required to make a Matching Contribution (if any):

- (a) Saudi Aramco shall pay to the Company an amount equal to the relevant Matching Contribution; and
 - (b) the Company shall enter into a subordinated shareholder loan agreement in favour of Saudi Aramco, in accordance with the terms of the Shareholders' Agreement, for the issuance of subordinated shareholder loans with a face value equal to the relevant Matching Contribution.
- 2.7 If, for any reason, 'Closing' in respect of the JB58 Rig or BK56 Rig does not occur under the Rowan ATCA on the first Matching Contribution Date and a Replacement Rig (as defined in the Rowan ATCA) is not contributed by Rowan on such date:
- (a) Saudi Aramco may satisfy its obligation under Clause 2.6(a), in whole or in part, by issuing a Note to the Company for an amount equal to the lesser of (i) the Asset Contribution Value (as defined in the Rowan ATCA) of those assets which were not contributed on such Matching Contribution Date, and (ii) the Matching Contribution due to be paid by Saudi Aramco on that Matching Contribution Date; and
 - (b) if Saudi Aramco elects to issue a Note under Clause 2.7(a) then, notwithstanding the terms of the Shareholders' Agreement, the principal amount of the subordinated shareholder loans issued by the Company under Clause 2.6(b) which equals the face value of the Note issued under Clause 2.7(a) shall not accrue any interest until payment by Saudi Aramco of the face value of the Note pursuant to Clause 2.8.
- 2.8 Saudi Aramco shall, on demand, pay to the Company the face value of the Note on the earlier to occur of:
- (a) the 'Asset Contribution Closing Date' in respect of the JB58 Rig or BK56 Rig (or the Replacement Rig (as defined in the Rowan ATCA) which is contributed as a replacement for such rig) (as applicable); and
 - (b) where the Company is mandated to procure a replacement rig under the Rowan ATCA in lieu of the contribution of the JB58 Rig or BK56 Rig (as applicable), the date the Company demands payment from Rowan under Clause 5.11 of the Rowan ATCA.
- 2.9 If the Rowan ATCA terminates in accordance with Clause 5.9 of that agreement, the Company shall be deemed to have:
- (a) demanded immediate payment of the relevant outstanding Note(s) issued by Saudi Aramco; and
 - (b) set-off the amount payable in respect of such Note(s) against any amount outstanding under the subordinated shareholder loans issued by the Company in favour of Saudi Aramco pursuant to Clause 2.6(b).
- 3. CONDITIONS TO ASSET CONTRIBUTION CLOSING**
- 3.1 Closing of an Asset Contribution in respect of a Rig is conditional upon the following:
- (a) a second SCA Survey having been conducted not more than sixty (60) days prior to the relevant Asset Contribution Date in respect of the Rig to be contributed on the relevant Asset Contribution Date (the "**Contribution SCA**");
 - (b) Saudi Aramco having procured that (i) any Deficiencies identified in the Contribution SCA (as defined in Schedule 4 (*SCA Survey Procedures*)) have been repaired or rectified,

or the relevant system and equipment replaced and (ii) any damage to property or equipment occurring prior to the Asset Contribution Closing Date, where the cost of repairing each incidence of damage is greater than \$50,000, has been remedied; and

- (c) no Event of Loss having occurred in respect of the Rig to be contributed on the relevant Asset Contribution Date, (together, the “ **Conditions** ”),

but the Company may waive (either in whole or in part) any of the Conditions set forth in Clauses 3.1(a) and 3.1(b) (either in whole or in part) at any time by giving written notice to Saudi Aramco.

- 3.2 The Parties shall co-operate fully in all actions necessary to procure the satisfaction of the Conditions including the provision of all information reasonably necessary to make the filings required by Applicable Law to the relevant Government Entity.
- 3.3 If, in respect of any Rig (i) the Company waives the Condition set forth in Clause 3.1(b) or (ii) the Warranty set out in Clause 11.2(e) is untrue or inaccurate, then Saudi Aramco shall reimburse to the Company, on demand, all costs and expenses incurred by the Company following the Asset Contribution Closing Date in remedying any Deficiency (including the costs and expenses incurred by the Company in repairing, rectifying and/or replacing the relevant system and equipment) or repairing such damage. With respect to any and all defects which are classified in the Initial SCA as “Inoperable and Immaterial” (as defined in Schedule 4 (*SCA Survey Procedures*), Saudi Aramco shall have no obligation at any time either to repair or rectify any such defects pursuant to Clause 3.1(b) or to reimburse to the Company any costs and expenses in remedying such defects pursuant to this Clause 3.3.

4. ASSET CONTRIBUTION CLOSING

- 4.1 Closing in respect of an Asset Contribution shall take place at the offices of the Company (or at any other place as agreed in writing by the Parties) on the later to occur of the relevant Asset Contribution Date and the date which is five (5) Business Days after the last of the Conditions to be satisfied for such Asset Contribution has been satisfied, or waived in writing by the Company, in accordance with Clause 3 (*Conditions to Asset Contribution Closing*) (or such other date and place as agreed in writing by the Parties).

- 4.2 At each Closing:

- (a) Saudi Aramco shall deliver, or procure the delivery of, to the Company and Rowan each of the following:
- (i) a certificate from Saudi Aramco in the form attached hereto as Schedule 9 (*Form of Saudi Aramco Closing Certificate*), dated the applicable Asset Contribution Closing Date, confirming that the relevant Warranties from Saudi Aramco are true and correct as at the Asset Contribution Closing Date and enclosing a secretary’s certificate attesting to the due authorization of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;
 - (ii) the documents listed in Schedule 5 (*Delivery Documents*) in respect of the relevant Assets; and
 - (iii) possession, custody, control, free of any Liens, other than Permitted Liens, and otherwise on the terms and conditions of this Agreement, of the applicable Assets in The Kingdom;

- (b) Rowan shall deliver to the Company and Saudi Aramco a certificate in the form attached hereto as Schedule 10 (*Form of Rowan (Non-Contributing) Closing Certificate*), dated the applicable Asset Contribution Closing Date, confirming that the relevant Warranties from Rowan are true and correct as at the Asset Contribution Closing Date and enclosing a secretary's certificate attesting to the due authorization of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;
 - (c) the Company shall deliver to Saudi Aramco and Rowan a certificate in the form attached hereto as Schedule 11 (*Form of Company Closing Certificate*), dated the applicable Asset Contribution Closing Date, confirming that the relevant Warranties from the Company are true and correct as of the Asset Contribution Closing Date and enclosing a secretary's certificate attesting to the due authorization of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;
 - (d) the Company shall enter into the relevant subordinated shareholder loan agreements in favour of Saudi Aramco, in accordance with the terms of the Shareholders' Agreement, for the issuance of subordinated shareholder loans to Saudi Aramco with a face value equal to the Asset Contribution Value of those Assets (subject to any deemed reduction in accordance with Clause 5.6) being contributed on the Asset Contribution Closing Date, except as otherwise provided in Clause 5.6(b)(i) or where Clause 5.12 applies with respect to a Rig and the Asset Contribution Closing Date in respect of such Rig occurs by the Cut-Off Date; and
 - (e) the Parties (or their duly authorised representatives) shall jointly execute a certificate, dated the Asset Contribution Closing Date, confirming that the Asset Contribution Closing has occurred, in substantially the form of Schedule 12 (*Form of Joint Certificate of Asset Contribution Closing*).
- 4.3 Saudi Aramco undertakes to procure that any subsisting Permitted Liens to which the Assets are subject are discharged within thirty (30) days after Closing unless the Company specifically agrees otherwise, and Saudi Aramco hereby indemnifies the Company and holds it harmless against any Losses suffered by the Company as a result of Saudi Aramco's failure to discharge any Lien (whether a Permitted Lien or otherwise) which subsists over the Assets at the date of Closing.
- 4.4 The documents listed in Schedule 5 (*Delivery Documents*), other than Item 2 (transcript of Registry) and Item 4 (declaration of class), will be made available to the Company not less than five (5) Business Days before the Asset Contribution Date.
- 4.5 Any transfer taxes payable in The Kingdom in connection with the transfer of the Assets shall be for the account of the Company. Any other transfer taxes, fees or expenses incurred in connection with the transfer of the Assets shall be for Saudi Aramco's account.
- 4.6 The Company shall be entitled to set off against any amount outstanding under any subordinated shareholder loan agreement in favour of Saudi Aramco in accordance with this Agreement and the Shareholders' Agreement, any unpaid amount which is agreed or determined to be due from Saudi Aramco pursuant to this Agreement.

5. LOSS OF OR DELAYS IN CONTRIBUTING A RIG

Event of Loss

- 5.1 If, for any reason, an Event of Loss occurs in respect of a Rig before the relevant Closing takes place, the Company shall procure a suitable replacement rig in accordance with the provisions of Clauses 5.8 to 5.11.
- 5.2 In relation to the Rig in respect of which an Event of Loss occurred, Saudi Aramco shall be entitled to retain the insurance proceeds payable under any relevant contract of insurance procured by Saudi Aramco.

Delay due to a Force Majeure Event

- 5.3 If, as a direct result of a Force Majeure Event (other than an Event of Loss), Closing in respect of a Rig does not occur within one hundred and eighty (180) days from the relevant Asset Contribution Date, the Company shall procure a suitable replacement rig in accordance with the provisions of Clauses 5.8 to 5.11.

Other delay in delivery of a Rig

- 5.4 If, for any reason other than as a result of (x) an Event of Loss or (y) a subsisting Force Majeure Event, Closing in respect of a Rig does not occur by the date which is sixty (60) days from the relevant Asset Contribution Date (the “ **Delayed Asset Contribution Date** ”), then Saudi Aramco shall pay liquidated damages to the Company in the amount of:
- (a) [**], in the case that the relevant Rig is the SAR 202, or [**], in the case that the relevant Rig is the SAR 201, for each day commencing on the relevant Delayed Asset Contribution Date until the earlier to occur of (i) the date on which all Conditions to be satisfied for the Asset Contribution of the relevant Rig have been satisfied and Saudi Aramco stands ready willing and able to contribute or procure the contribution of the Rig and (ii) the date which is one hundred and twenty (120) days following the relevant Asset Contribution Date (inclusive); and
- (b) [**], in the case that the relevant Rig is the SAR 202, or [**], in the case that the relevant Rig is the SAR 201, for each day commencing on the day after the date which is one hundred and twenty (120) days following the relevant Asset Contribution Date until the earlier to occur of (i) the date on which all Conditions to be satisfied for the Asset Contribution of the relevant Rig have been satisfied and Saudi Aramco stands ready willing and able to contribute or procure the contribution of the Rig and (ii) the date which is one hundred and fifty (150) days following the relevant Asset Contribution Date (inclusive),

which amounts the Parties agree are a genuine pre-estimate of the Loss which will be suffered by the Company if the Assets are delivered late. For the avoidance of doubt, if there is an intervening Event of Loss or Force Majeure Event following the Delayed Asset Contribution Date and prior to the Closing in respect of the relevant Rig, liquidated damages shall not be payable under this Clause 5.4 from and after the occurrence of such Event of Loss or Force Majeure Event and the Company shall procure a suitable replacement rig in accordance with the provisions of Clauses 5.8 to 5.11.

- 5.5 If, for any reason other than as a result of an Event of Loss or a subsisting Force Majeure Event, a Rig suffers material damage (a “ **Damaged Rig** ”) and Closing in respect of that Damaged Rig does not occur by the day which is one hundred and fifty (150) days following the relevant Asset Contribution Date (inclusive) (the “ **Cut-Off Date** ”):
- (a) Saudi Aramco shall pay to the Company the face value of the Note issued in respect of that Damaged Rig pursuant to Clause 5.12;

- (b) Saudi Aramco shall use commercially reasonable efforts to repair such damage as soon as practicable and, subject to Clause 5.6(b), the Asset Contribution Date for the Damaged Rig will be extended until such time as such damage has been repaired and the Rig is ready to be contributed to the Company; and
- (c) Rowan shall have the option to lease an EXL class rig to the Company as a 'Leased Rig' pursuant to the Shareholders' Agreement (provided such rig is acceptable to Saudi Aramco Customer).

5.6 If:

- (a) the Asset Contribution Closing Date for a Damaged Rig occurs after the Cut-Off Date but on or prior to the last Matching Contribution Date in circumstances where:
 - (i) the Asset Contribution Value of the Damaged Rig is equal to or less than the Matching Contributions due on or after such Asset Contribution Date, the Matching Contributions payable by Saudi Aramco on or following such Asset Contribution Closing Date shall be reduced by the Asset Contribution Value of the Damaged Rig; or
 - (ii) the Asset Contribution Value of the Damaged Rig is greater than the Matching Contributions due on or after such Asset Contribution Closing Date, the Company shall pay to Saudi Aramco on that Asset Contribution Closing Date the amount by which the Asset Contribution Value of the Damaged Rig exceeds the remaining Matching Contributions and the face value of the subordinated shareholder loan issued or to be issued in respect of such Damaged Rig on the relevant Asset Contribution Closing Date shall be deemed reduced (with effect on and from the date of issue) by the amount of such payment; or
- (b) if the Asset Contribution Closing Date in respect of a Damaged Rig has not occurred by the Cut-Off Date and the Parties reasonably expect that the Damaged Rig will not be repaired and be ready to be contributed to the Company on or before the last Matching Contribution Date, the Parties shall in good faith discuss (prior to the last Matching Contribution Date) whether the Damaged Rig should nonetheless be contributed to the Company, and if:
 - (i) the Parties agree (which agreement, if any, shall occur prior to the last Matching Contribution Date) that such Rig should be contributed once it is repaired and ready to be contributed, Saudi Aramco's remaining Matching Contributions shall be reduced by the Asset Contribution Value of the Damaged Rig (and its related Assets), and Saudi Aramco shall, on the last Matching Contribution Date, issue a Note to the Company and the Company shall issue a subordinated shareholder loan in respect of such Rig in accordance with Clause 5.12, each with a face value equal to such Asset Contribution Value; provided that if the Asset Contribution Value of the Damaged Rig exceeds the remaining Matching Contributions, on that Asset Contribution Closing Date in respect of the Damaged Rig, the Company shall pay to Saudi Aramco the amount by which the Asset Contribution Value of the Damaged Rig exceeds the remaining Matching Contributions and the face value of the subordinated shareholder loan issued in accordance with this Clause 5.6(b)(i) in respect of such Damaged Rig shall be deemed reduced (with effect on and from the date of issue) by the amount of such payment; or

- (ii) the Parties agree that such Rig shall not be contributed, or cannot reach agreement as to whether it should be contributed, the Damaged Rig shall not be contributed to the Company, provided that if the Damaged Rig is subsequently repaired then the Company shall be required to lease such Rig from Saudi Aramco as a 'Leased Rig' (with the provisions of the Shareholders' Agreement in respect of 'Leased Rigs' applying *mutatis mutandis*) (provided such rig is acceptable to Saudi Aramco Customer) for so long as such Rig is offered drilling contracts by Saudi Aramco Customer.

The Parties agree that any action contemplated by Clause 5.6(b)(i) shall occur prior to the last Matching Contribution Date.

- 5.7 If Closing in respect of a Rig (other than a Damaged Rig) does not take place by the date which is one hundred and fifty (150) days following the relevant Asset Contribution Date (where such delay is not due to an Event of Loss or Force Majeure Event or caused by a material breach by the Company of its obligations under this Agreement), the Company may terminate this Agreement with immediate effect by giving notice to Rowan and Saudi Aramco.

Procurement of replacement rig by the Company

- 5.8 If the Company is mandated to procure a replacement rig under Clause 5.1 or 5.3, the Company shall use best efforts to acquire a rig which is the same class as, or otherwise substantially similar to, the Rig which Saudi Aramco was not able to contribute as a result of an Event of Loss or subsisting Force Majeure and shall, unless otherwise directed by the board of managers of the Company, enter into a rig purchase agreement with respect to such replacement rig.
- 5.9 If the Company enters into, or is to enter into, a rig purchase agreement for a replacement rig in accordance with Clause 5.8, Saudi Aramco shall pay to the Company, on demand, an amount equal to (x) the Asset Contribution Value of the Rig (and its related Assets) which Saudi Aramco was not able to contribute as a result of an Event of Loss or subsisting Force Majeure and the Company shall enter into a subordinated shareholder loan agreement in favour of Saudi Aramco in accordance with the terms of the Shareholders' Agreement, for the issuance of subordinated shareholder loans with a face value equal to the Asset Contribution Value of that Rig (and its related Assets) or (y) where a Note has been issued in respect of the Rig which Saudi Aramco was not able to contribute as a result of an Event of Loss or subsisting Force Majeure pursuant to Clause 5.12, the face value of that Note.
- 5.10 If the total purchase price of the replacement rig to be acquired by the Company exceeds the aggregate amount paid by Saudi Aramco pursuant to Clause 5.9 (the amount by which the purchase price exceeds such aggregate amount being the "**Purchase Price Shortfall**"), the Company shall use all reasonable endeavours to fund the Purchase Price Shortfall in accordance with the provisions of the Shareholders' Agreement; provided that (i) for the avoidance of doubt, the Purchase Price Shortfall shall not form part of Rowan's and Saudi Aramco's respective Commitment Amounts (as defined in the Shareholders' Agreement) and (ii) the Company shall not, and Rowan and Saudi Aramco shall procure that the Company shall not, fund any part of the Purchase Price Shortfall from funds available to the Company which are required to be retained to meet the working capital and/or operational requirements of the Company for the then current financial year.
- 5.11 Following the satisfaction by Saudi Aramco of its payment obligations under Clause 5.9 in respect of a replacement rig, Saudi Aramco shall have no further obligation under this Agreement to contribute the Rig (and its related Assets) which was not able to be contributed as a result of an Event of Loss or subsisting Force Majeure.

General procedure for delay in contribution of a Rig

- 5.12 If, for any reason, Closing in respect of a Rig does not occur on the relevant Asset Contribution Date:
- (a) Saudi Aramco shall issue a Note to the Company for an amount equal to the Asset Contribution Value of those Assets which were not contributed on such Asset Contribution Date; and
 - (b) the Company shall enter into a subordinated shareholder loan agreement in favour of Saudi Aramco, in accordance with the terms of this Agreement and the Shareholders' Agreement, for the issuance of subordinated shareholder loans with a face value equal to such Note provided that, notwithstanding the terms of the Shareholders' Agreement, such subordinated shareholder loans shall not accrue any interest until the earlier to occur of: (x) Closing in respect of such Rig; and (y) payment by Saudi Aramco of the face value of the Note pursuant to Clause 5.5(a) or 5.9.
- 5.13 At Closing of a Rig in respect of which a Note has been issued under Clause 5.12, the Note issued by Saudi Aramco shall be extinguished in full satisfaction and discharge for the contribution of the relevant Assets.
- 5.14 If this Agreement terminates in accordance with Clause 5.7, the Company shall be deemed to have:
- (a) demanded immediate payment of the relevant outstanding Note(s); and
 - (b) set-off the amount payable in respect of such Note(s) against any amount outstanding under the subordinated shareholder loans issued by the Company in favour of Saudi Aramco pursuant to Clause 5.12(b).
- 6. CONTRACTS**
- 6.1 Subject to Clause 6.2, from Closing the Company shall, in respect of the Assets contributed on that Closing:
- (a) be entitled to the benefit of the relevant Contracts;
 - (b) carry out, perform and complete all the obligations and liabilities to be discharged under the relevant Contracts; and
 - (c) indemnify Saudi Aramco against all Losses in respect of any failure on the part of the Company to carry out, perform and complete those obligations and liabilities.
- 6.2 Saudi Aramco shall indemnify the Company against all Losses in respect of any act or omission on the part of Saudi Aramco in relation to the relevant Contracts on or before the applicable Closing. Saudi Aramco shall transfer to the Company at Closing all open purchase orders relating to the Rigs and covering items of the type included in Non-Rig Inventory, and the Company shall assume responsibility of payment thereunder. Such open purchase orders shall be deemed closed if goods receipt has occurred prior to initial Asset Contribution Closing Date.
- 6.3 Insofar as the benefit or burden of any of the Contracts related to or associated with the Assets to be contributed on Closing cannot effectively be assigned to the Company except by an agreement or novation with or consent to the assignment from the person, firm or company concerned:

- (a) Saudi Aramco shall use its best efforts to procure the novation or assignment effective as at Closing;
 - (b) until the relevant Contract is novated or assigned, Saudi Aramco shall hold, or shall procure that its relevant Affiliate shall hold, it in trust for the Company absolutely and the Company shall (if such sub-contracting is permissible and lawful under the Contract), as Saudi Aramco's (or its Affiliate's) sub-contractor, perform all the obligations of Saudi Aramco or its Affiliate under the relevant Contract to be discharged after Closing and shall indemnify Saudi Aramco against all Losses incurred by it or its Affiliates in respect of any failure on the part of the Company to perform those obligations; and
 - (c) until the relevant Contract is novated or assigned, Saudi Aramco shall, and shall procure that its Affiliates shall, (so far as it or they lawfully may) give all reasonable assistance to the Company to enable the Company to enforce its rights under the relevant Contract.
- 6.4 If any contracting third party imposes a condition in a novation or assignment of a Contract or as a term of giving its consent to the Company assuming the rights and obligations of Saudi Aramco or its Affiliates under such Contract then (provided that Saudi Aramco or its Affiliates will not be obliged to make any payment, give any security or provide any guarantee as the basis for any such novation, assignment or consent) Saudi Aramco and the Company will co-operate in good faith with a view to finding a mutually acceptable means of satisfying the requirements of that third party without varying (otherwise than in any minor terms) the terms of such Contract or this Agreement relating to the rights and obligations to be assumed by the Company.

7. INDEMNITIES

- 7.1 The Company shall release, defend, indemnify and hold Saudi Aramco, its Affiliates, and the employees, officers and directors of Saudi Aramco and its Affiliates (the “ **Saudi Aramco Group** ”) harmless from and against any and all Losses in respect of the ownership or operation of an Asset which accrue or relate to the period from and after the relevant Asset Contribution Closing Date, without regard to the person or entity alleging the Claim including any member of the Company Group or the Rowan Group, any Government Entity, or any other person or entity, and without regard to the cause or causes of the Loss including any allegation of negligence, breach of contract, violation of Applicable Law, or breach of representation or warranty on the part of any member of the Saudi Aramco Group, any allegation that the Assets were in a defective condition prior to the Asset Contribution Closing Date, or any other theory of liability. For purposes of illustration, in the event the Company experiences a blowout the day after the Asset Contribution Closing Date in connection with its operation of a Rig, the Company will, subject to the terms of this Agreement, release, defend, indemnify and hold the Saudi Aramco Group harmless from all Claims related to such blowout. Provided that: (i) the Company's obligation to release, defend, indemnify and hold harmless the Saudi Aramco Group in this Clause 7.1 shall not extend to any: (x) Claim by Rowan, its Affiliates, or any of the employees, officers or directors of Rowan and its Affiliates (the “ **Rowan Group** ”) or the Company, its Affiliates or any of the employees, officers or directors of the Company and its Affiliates (the “ **Company Group** ”) against Saudi Aramco under this Agreement or under any Transaction Agreement; or (y) Losses suffered by any member of the Rowan Group and/or the Company Group for which Saudi Aramco is liable under this Agreement or under any Transaction Agreement, and any such Claims and Losses shall not be affected or limited by this Clause 7.1; (ii) in computing the amount of any Losses solely for the purposes of determining the liability of the Company under this Clause 7.1: (x) the amount of any third-party insurance proceeds (less any reasonable third party costs and expenses directly incurred in recovering such amounts) actually received by a member of the Saudi Aramco Group in connection with such Losses shall be deducted from such Losses; (y) the amount of recoveries from any third party (less any reasonable third party costs and expenses

directly incurred in recovering such amounts) with respect to such Losses actually received by a Saudi Aramco Group member shall be deducted from such Losses; and (z) the amount of any actual net reduction in taxes of any Saudi Aramco Group member arising from the incurrence or payment of any such Losses shall be deducted from such Losses; and (iii) Losses for the purpose of this Clause 7.1 shall exclude, for the avoidance of doubt, any diminution in the value of the Company, its assets and businesses and/or any impact on Saudi Aramco's expected returns (whether in the form of dividends, debt repayments or otherwise) from the Company.

- 7.2 Saudi Aramco shall release, defend, indemnify and hold the Company Group harmless from and against any and all Losses in respect of the ownership or operation of an Asset which accrue or relate to the period prior to the relevant Asset Contribution Closing Date, without regard to the person or entity alleging the Claim including any member of the Saudi Aramco Group or the Rowan Group, any Government Entity, or any other person or entity, and without regard to the cause or causes of the Loss including any allegation of negligence, breach of contract, violation of Applicable Law, or breach of representation or warranty on the part of any member of the Rowan Group or any other theory of liability. Provided that: (i) Saudi Aramco's obligation to release, defend, indemnify and hold harmless the Company Group in this Clause 7.2 shall not extend to any: (x) Claim by any member of the Saudi Aramco Group or the Rowan Group against the Company under this Agreement or under any Transaction Agreement; or (y) Losses suffered by any member of the Saudi Aramco Group and/or the Rowan Group for which the Company is liable under this Agreement or under any Transaction Agreement, and any such Claims and Losses shall not be affected or limited by this Clause 7.2; (ii) in computing the amount of any Losses solely for the purposes of determining the liability of the Company under this Clause 7.2: (x) the amount of any third-party insurance proceeds (less any reasonable third party costs and expenses directly incurred in recovering such amounts) actually received by a member of the Company Group in connection with such Losses shall be deducted from such Losses; (y) the amount of recoveries from any third party (less any reasonable third party costs and expenses directly incurred in recovering such amounts) with respect to such Losses actually received by a Company Group member shall be deducted from such Losses; and (z) the amount of any actual net reduction in taxes of any Company Group member arising from the incurrence or payment of any such Losses shall be deducted from such Losses.
- 7.3 Saudi Aramco, Rowan and the Company shall, and shall procure that the members of the Saudi Aramco Group, the Rowan Group and the Company Group, respectively, take all reasonable steps to mitigate any Claim and/or Losses which potentially fall within the scope of Clause 7.1 or 7.2, including making claims under relevant policies of insurance and claims against relevant third parties.
- 7.4 For purposes of Clauses 7.4 through 7.6, each of Saudi Aramco and the Company shall be referred to (i) in their capacity as the party entitled to seek indemnification under Clause 7.1 or 7.2, as applicable, as the “ **Indemnified Party** ” and (ii) in their capacity as the Party required to indemnify the Indemnified Party, as the “ **Indemnifying Party** ”. The Indemnified Party, its Affiliates and their respective employees, officers and directors shall be referred to as the “ **Indemnified Group** ”. If a Claim arises as a result of, or in connection with, a liability or alleged liability of an Indemnified Group member to a third party (a “ **Third Party Claim** ”) for which the relevant Indemnified Group member is or may be entitled to seek protection or recourse from the Indemnifying Party under Clause 7.1 or 7.2, as applicable, then the Indemnified Party shall as soon as reasonably practicable give notice of such Third Party Claim to the Indemnifying Party together with such other reasonable details and information in relation to such claim as are available to members of the Indemnified Group.
- 7.5 Until the earlier of such time as the Indemnifying Party shall give any notice to the Indemnified Party as contemplated by Clause 7.6 and such time as any final compromise, agreement, expert

determination or non-appealable decision of a court or tribunal of competent jurisdiction is made in respect of the Third Party Claim or the Third Party Claim is otherwise finally disposed of, the Indemnified Party shall:

- (a) procure that each relevant Indemnified Group member consults with the Indemnifying Party, and takes account of the reasonable requirements of the Indemnifying Party in relation to the conduct of any dispute, defence, compromise or appeal of the Third Party Claim;
- (b) keep, or procure that each relevant Indemnified Group member keeps, the Indemnifying Party reasonably informed of the progress of the Third Party Claim and provide, or procure that each relevant Indemnified Group member provides, the Indemnifying Party with copies of all documents and other information in the Indemnified Party's or an Indemnified Group member's possession as is relevant to the Third Party Claim and reasonably requested by the Indemnifying Party, subject to applicable confidentiality restrictions and Applicable Law; and
- (c) procure that no relevant Indemnified Group member shall cease to defend the Third Party Claim or make any admission of liability, agreement or compromise in relation to the Third Party Claim without the prior written consent of the Indemnifying Party.

7.6 The Indemnifying Party may, at any time before any final compromise, agreement, expert determination or non-appealable decision of a court or tribunal of competent jurisdiction is made in respect of the Third Party Claim or the Third Party Claim is otherwise disposed of, give notice to the Indemnified Party that it elects to assume the conduct of any dispute, compromise, defence or appeal of the Third Party Claim and of any incidental negotiations on the following terms:

- (a) the Indemnifying Party shall indemnify the Indemnified Party and each relevant Indemnified Group member against all liabilities, charges, costs and expenses which they may incur in taking any such action as the Company may request pursuant to Clauses 7.6(b) and (c);
- (b) The Indemnified Party shall procure that each relevant Indemnified Group member makes available to the Indemnifying Party such persons and all such information as is relevant to the Third Party Claim and the Indemnifying Party reasonably requests for assessing, contesting, disputing, defending, appealing or compromising the Third Party Claim, subject to applicable confidentiality restrictions and Applicable Law;
- (c) The Indemnified Party shall procure that each relevant Indemnified Group member takes such action to assess, contest, dispute, defend, appeal or compromise the Third Party Claim as the Indemnifying Party may reasonably request and does not make any admission of liability, agreement, settlement or compromise in relation to the Third Party Claim without the prior written approval of the Indemnifying Party; and
- (d) the Indemnifying Party shall keep the Indemnified Party informed of the progress of the Third Party Claim and provide the Indemnified Party with copies of all relevant documents and such other information in its possession as may be requested by the Indemnified Party (acting reasonably).

8. EMPLOYEES

The transfer of the relevant Employees from Saudi Aramco and its Affiliates to the Company shall be effected in accordance with the Employee Matters Agreement.

9. RETENTION AND TRANSFER OF TITLE, RISK OF LOSS

- 9.1 Title to the applicable Assets is hereby retained by Saudi Aramco (or its relevant Affiliate) to the exclusion of the Company, any creditor of the Company and all other persons whomsoever until the applicable Asset Contribution Closing Date. For the avoidance of doubt, Saudi Aramco (or its relevant Affiliate) shall continue to enjoy the right, interest in and title to the applicable Assets during the period between the Execution Date and the applicable Asset Contribution Closing Date.
- 9.2 All of Saudi Aramco's (or its relevant Affiliate's) right, interest in and ownership of and title to the applicable Assets shall pass from Saudi Aramco or its Affiliate to the Company on the applicable Asset Contribution Closing Date.
- 9.3 The care, custody and control of, and the risk of loss or damage to, the applicable Assets shall pass from Saudi Aramco (or its relevant Affiliate) to the Company on the applicable Asset Contribution Closing Date. The Company shall, and shall have sole responsibility to, operate, maintain and repair the applicable Assets after the applicable Asset Contribution Closing Date.

10. PROVISION OF CERTAIN INFORMATION

To the extent required, each of the Parties shall make available, and shall cause its respective Affiliates to make available, to each other on a reasonable basis, any and all information within its control necessary to investigate, defend against, or otherwise oppose any pending or threatened Claim against any Party or any of such Party's Affiliates, as the case may be, in connection with the Assets.

11. WARRANTIES

- 11.1 Each of the Parties hereby warrants to each of the other Parties that as at the Execution Date and on each Asset Contribution Closing Date:
- (a) It is duly organised, validly existing and in good standing under the respective laws of the jurisdiction in which it is organised.
 - (b) It has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, and that the execution and delivery of this Agreement and consummation of the transactions contemplated hereby have been duly authorised by all necessary action on the part of such Party.
 - (c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate, conflict with, or result in a breach of any Applicable Law or provision of such Party's organisational documents or any agreement, document or instrument to which it is subject or by which it or its assets are bound or require the consent or approval (if not already obtained) of any shareholder, partner, equity holder, holder of indebtedness or other person or entity, or contravene or result in a breach of or default under or the creation of any Lien, upon any property under any constitutive document, indenture, loan agreement, lease or other agreement, document or instrument to which a Party is a party, except as would not impair or prevent the Company's rights to acquire the Assets or materially impair or prevent the Company's exercise of its rights under this Agreement.
 - (d) There is no pending or, to the best of the relevant Party's knowledge, threatened, action, suit, investigation, arbitration or other proceeding that would materially impair or prevent such Party's ability to perform its obligations under this Agreement.

- (e) All material authorisations of and material exemptions, actions or approvals by, and all notices to or filings with, any Government Entity that are required by Applicable Law to have been obtained or made by the relevant Party, in connection with the execution and delivery of this Agreement or the performance by it of its material obligations hereunder will have been obtained or made and will be in full force and effect, and all material conditions of any such authorisations, exemptions, actions or approvals will have been complied with.

11.2 Saudi Aramco hereby further warrants to the Company in connection with an Asset Contribution that as at the applicable Asset Contribution Closing Date:

- (a) The relevant Asset is in its or its Affiliate's exclusive possession or under its or its Affiliate's direct control and that it or its Affiliate has good, valid and marketable title to such Asset.
- (b) It or its Affiliate holds the relevant Asset free and clear of any and all Liens, other than Permitted Liens, and has the right to transfer or procure the transfer of all of its or its Affiliate's ownership, right, interest in and title to such Asset to the Company free and clear of any and all Liens, other than Permitted Liens.
- (c) No Event of Loss has occurred.
- (d) All material Permits that are the responsibility of the owner and operator of the relevant Rig and required to operate the relevant Rig in The Kingdom are held by Saudi Aramco, valid and subsisting in all material respects.
- (e) The Assets are in compliance with the Specifications.
- (f) There has been no transaction pursuant to or as a result of which any of the Assets is liable to be transferred or re-transferred to another person or which gives or may give rise to a right of compensation or other payment in favour of another person under the law of any relevant jurisdiction.

11.3 As of the Execution Date, each of the Company and Rowan has conducted a review and analysis of the applicable Assets and acknowledges that the Company, Rowan and their Affiliates and representatives have been provided access to the personnel, properties, premises and records of Saudi Aramco with respect to the Assets. Except for the Warranties expressly set forth in this Agreement, each of the Company and Rowan acknowledges and agrees that neither Saudi Aramco nor any of its Affiliates or any other person acting on their behalf makes any other express or implied representation or warranty with respect to the Assets, including value, performance, longevity, quality or otherwise, or with respect to any other information provided to the Company, Rowan or their Affiliates, agents or representatives, whether on behalf of Saudi Aramco or such other persons, including as to (i) the operation of an Asset by the Company after the applicable Asset Contribution Closing Date or (ii) the probable success or profitability of the ownership, use or operation of an Asset by the Company after the applicable Asset Contribution Closing Date, either individually or in the aggregate. Each of the Company and Rowan acknowledges that, except for the Warranties and in the circumstances contemplated by Clause 3.3, the Company takes the assets "as is, where is", without warranties as to fitness, quality and performance. Each of the Company and Rowan further represents that neither Saudi Aramco nor any other person acting on behalf of Saudi Aramco has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Assets not expressly set forth in this Agreement.

- 11.4 Saudi Aramco shall not be liable for any Claim for a breach of the Warranty at Clause 11.2(e) to the extent that the matter giving rise to the Claim relates to any defects which are classified in the Initial SCA as “Inoperable and Immaterial” (as defined in Schedule 4 (*SCA Survey Procedures*).

12. CONFIDENTIALITY AND ANNOUNCEMENTS

12.1 Subject to Clause 12.2, each Party:

- (a) shall treat as strictly confidential:
- (i) the provisions of this Agreement and the process of their negotiation;
 - (ii) in the case of Saudi Aramco, any information received or held by Saudi Aramco or any of its representatives which relates to the Company or, following an Asset Contribution Closing Date, the relevant Assets;
 - (iii) in the case of Rowan, any information received or held by Rowan or any of its representatives which relates to the Company or, following an Asset Contribution Closing Date, the relevant Assets; and
 - (iv) in the case of the Company, any information received or held by the Company or any of its representatives which relates to Saudi Aramco or, prior to an Asset Contribution Closing Date, the relevant Assets,
- (together “ **Confidential Information** ”); and
- (b) shall not, except with the prior written consent of the other Parties (which shall not be unreasonably withheld or delayed), make use of (save for the purposes of performing its obligations under this Agreement) or disclose to any person (other than its representatives in accordance with Clause 12.3) any Confidential Information.

12.2 Clause 12.1 shall not apply to the disclosure of Confidential Information if and to the extent:

- (a) such disclosure is required by any laws, rules, regulations, directives or orders promulgated by any governmental authority or body having, or claiming to have, jurisdiction over the Parties or the operations hereunder;
 - (b) the Confidential Information concerned has come into the public domain other than through its fault (or that of its representatives) or the fault of any person to whom such Confidential Information has been disclosed in accordance with this Clause 12;
 - (c) has been lawfully disclosed to the relevant Party by a third party and that it has acquired free from any obligation of confidence to any other person;
 - (d) such disclosure is to its professional advisers and Affiliates in relation to the negotiation, entry into or performance of this Agreement or any matter arising out of the same (provided that such persons are required to treat such information as confidential);
 - (e) such disclosure is required to facilitate the obtaining of any consents required for the contribution, transfer and delivery of any of the applicable Assets to the Company; or
 - (f) such disclosure is permitted in accordance with the Shareholders’ Agreement.
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- 12.3 Each Party undertakes that it shall (and shall procure that its Affiliates shall) only disclose Confidential Information to a person referred to in Clause 12.2(d) or 12.2(e) where it is reasonably required for the purposes of exercising its rights or performing its obligations under this Agreement and the other Transaction Agreements and only where such persons are informed of the confidential nature of the Confidential Information and provisions of this Clause 12.
- 12.4 No Party shall make any announcement (including any communication to the public, to any customers, suppliers or employees or their Affiliates) concerning the subject matter of this Agreement without the prior written consent of the other (which shall not be unreasonably withheld or delayed) or where permitted under the terms of the Shareholders' Agreement.
- 12.5 The provisions of this Clause 12 shall survive the termination of this Agreement and shall continue for a period of three (3) years therefrom.

13. FURTHER ASSURANCE

Saudi Aramco shall, at its own cost, promptly execute and deliver, or procure the execution and delivery of, all such documents and do all such things and provide all such information and assistance, as the Company may from time to time reasonably require for the purpose of transferring an Asset and giving full effect to the provisions of this Agreement and to secure for the Company the full benefit of the rights, powers and remedies conferred upon it under this Agreement.

14. ENTIRE AGREEMENT; REMEDIES; AND LIMITATION OF LIABILITY

- 14.1 This Agreement and the Shareholders' Agreement set out the entire agreement between the Parties relating to the contribution, transfer and delivery of the Assets and, save to the extent expressly set out in this Agreement, supersede and extinguish any prior drafts, agreements, undertakings, representations, warranties, promises, assurances and arrangements of any nature whatsoever, whether or not in writing, relating thereto. This Clause shall not exclude any liability for or remedy in respect of fraudulent misrepresentation.
- 14.2 If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail unless:
- (a) such other agreement expressly states that it overrides this Agreement in the relevant respect; and
 - (b) Rowan and Saudi Aramco are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.
- 14.3 The rights, powers, privileges and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers, privileges or remedies provided by Applicable Law.
- 14.4 In connection with this Agreement, no Party shall be liable to any other Party for any Consequential Damages. This Clause 14.4 shall not limit or exclude a Party's right to recover any Losses suffered or incurred as a result of, or in connection with, a Third Party Claim in accordance with Clause 7.

15. WAIVER AND VARIATION

- 15.1 A failure or delay by a Party to exercise any right or remedy provided under this Agreement or by Applicable Law, whether by conduct or otherwise, shall not constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict any further exercise of that or any other

right or remedy. No single or partial exercise of any right or remedy provided under this Agreement or by Applicable Law, whether by conduct or otherwise, shall preclude or restrict the further exercise of that or any other right or remedy.

- 15.2 A waiver of any right or remedy under this Agreement shall only be effective if given in writing and shall not be deemed a waiver of any subsequent breach or default.
- 15.3 No variation or amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties to this Agreement. Unless expressly agreed, no variation or amendment shall constitute a general waiver of any provision of this Agreement, nor shall it affect any rights or obligations under or pursuant to this Agreement which have already accrued up to the date of variation or amendment and the rights and obligations under or pursuant to this Agreement shall remain in full force and effect except and only to the extent that they are varied or amended.

16. INVALIDITY

Where any provision of this Agreement is or becomes illegal, invalid or unenforceable under Applicable Law then such provision shall be deemed to be severed from this Agreement and, if possible, replaced with a lawful provision which, as closely as possible, gives effect to the intention of the parties under this Agreement and, where permissible, that shall not affect or impair the legality, validity or enforceability in that, or any other, jurisdiction of any other provision of this Agreement.

17. NOTICES

- 17.1 Any notice or other communication to be given under this Agreement shall be given in writing in the English language and may be delivered in person (to the person designated to act and/or receive notice on behalf of the relevant Party) or sent by prepaid trackable courier service, or email to the relevant Party at the following addresses, or such other address or email addresses as the relevant Party may notify the other Parties in writing from time to time (a **Notice**):

- (a) If to Rowan:

For the attention of: General Counsel

Address: 2800 Post Oak Boulevard
Suite 5450
Houston, Texas 77056

E-mail address: meltre@rowancompanies.com

with a copy to:

Name: Rowan Companies plc

For the attention of: Rowan Legal

Address: 2800 Post Oak Boulevard
Suite 5450
Houston, Texas 77056

E-mail address: legal@rowancompanies.com

(b) If to Saudi Aramco:

For the attention of: VP New Business Development

Address: Saudi Aramco Al Midra Building, RM E-907A
Dhahran, 31311
Kingdom of Saudi Arabia

E-mail address: yasser.mufti@aramco.com

with a copy to:

For the attention of: General Counsel

Address: Saudi Aramco Main Administration Building; RM 335
PO Box 5000
Dhahran, 31311
Kingdom of Saudi Arabia

E-mail address: nabeel.mansour@aramco.com

(c) If to the Company after the date on which it has acceded to this Agreement, then in accordance with the notice details specified in the deed of adherence to be entered into by the Company in accordance with clause 2.1.

17.2 Any such Notice sent as aforesaid shall, if sent by email, be deemed delivered on the date of sending, if transmitted before 5.00 pm (local time at the country of destination) on any Business Day and, in any other case, on the Business Day following the date of sending. In proving service of a Notice by email, it is sufficient to prove that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's email system.

18. COSTS

Except as otherwise provided in this Agreement, each Party shall bear its own costs arising out of or in connection with the preparation, negotiation and implementation of this Agreement.

19. NO SET-OFF

Unless otherwise expressly allowed under this Agreement, every payment payable under this Agreement shall be made in full without any set-off or counterclaim howsoever arising and shall be free and clear of, and, save as required by Applicable Law, without deduction of, or withholding for or on account of, any amount which is due and payable to any Party under this Agreement or any other Transaction Agreement.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts. Each counterpart shall constitute an original of this Agreement but all the counterparts together shall constitute but one and the same instrument.

21. ENGLISH LANGUAGE

This Agreement and all related documents, instruments and other materials relating hereto (including Notices, demands, requests, statements, certificates or other documents or communications) shall be in the English language, unless agreed otherwise by the Parties.

22. TERMINATION AND SURVIVAL

- 22.1 The termination of this Agreement shall not affect any accrued rights or liabilities of any Party in respect of any non-performance or breach of any obligation under this Agreement which occurred prior to its termination.
- 22.2 In respect of Asset Contributions made before termination of this Agreement, the following Clauses shall survive the termination of this Agreement together with any other provisions which are expressed or intended to survive: Clauses 1 (*Definitions and Interpretation*), 4.3 (*Asset Contribution Closing*), 6 (*Contracts*), 7 (*Indemnities*), 12 (*Confidentiality and Announcements*) (for a period of three (3) years from the date of termination), 14 (*Entire Agreement; Remedies; and Limitation of Liability*), 17 (*Notices*) and 26 (*Governing Law and Jurisdiction*).

23. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement shall be deemed to constitute a partnership between the Parties, nor constitute any Party constituting or becoming in any way the agent of another Party for any purpose.

24. FORCE MAJEURE EVENTS

- 24.1 Subject to Clauses 5.1 to 5.3 and 5.9 (*Loss of or Delays in Contributing a Rig*), if a Party (the “ **Affected Party** ”) is directly prevented or delayed from performing any of its obligations under this Agreement (other than an obligation to pay money which shall not be subject to relief pursuant to this Clause) by reason of a Force Majeure Event, the Affected Party shall not be liable for any delay or non-performance of those obligations which are affected by the Force Majeure Event during the period and to the extent that such obligations are prevented or delayed.
- 24.2 For the purposes of this Agreement, “ **Force Majeure Event** ” shall mean any circumstances beyond the reasonable control or ability of a Party to avoid, acting prudently and reasonably and without the fault or negligence of the Party affected by such circumstance that directly prevents or delays the performance of such Party’s obligations under this Agreement, including the following to the extent only that the foregoing requirements are satisfied in respect thereof:
- (a) natural disasters or acts of God, such as flood, fire, storm, cyclone, earthquake, or freezing temperature;
 - (b) acts of war or insurrection, such as declared or undeclared war, civil war, uprising, guerrilla activity, riot, acts of terrorism, or any other hostile act;
 - (c) shortage or non-availability of materials, parts, labour or transportation generally;
 - (d) labour disputes or any other labour conflict (not involving solely the employees of that Party);
 - (e) Government action, such as laws, rules, regulations, directives or orders promulgated by any governmental authority or body having, or claiming to have, jurisdiction over the Parties or the operations hereunder;

- (f) Government inaction, such as failure or delay in granting import licences or other Government permits or authorisations required to perform the activities contemplated hereby; and
- (g) any other cause beyond the reasonable control of the Party claiming that its performance obligations have been affected by a Force Majeure Event, similar to or different from those already mentioned above; provided, always, that lack of funds shall not be interpreted as a cause which is not of a Party's making nor within a Party's reasonable control.

- 24.3 As soon as reasonably practicable after the start of the Force Majeure Event, the Affected Party shall notify the other Parties in writing of the act, event, or circumstance which constitutes a Force Majeure Event, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under this Agreement.
- 24.4 The Affected Party shall use its best efforts to mitigate the effects of the Force Majeure Event on the performance of its obligation under this Agreement.
- 24.5 Force Majeure Events shall not include any failure by a Party to make payment when due, failure of performance by any contractor or subcontractor where such failure is not caused by an event that would qualify hereunder as a Force Majeure Event or the acts or omissions of any Affiliate of a Party which is not caused by an event that would qualify hereunder as a Force Majeure Event.
- 24.6 As soon as reasonably practicable after the end of the Force Majeure Event, the Affected Party shall notify the other Parties in writing that the Force Majeure Event has ended and such Affected Party shall resume performance of its obligations under this Agreement.
- 24.7 None of the Parties shall be released from any of its obligations under this Agreement as a result of a Force Majeure Event. This Agreement shall remain in effect for the duration of a Force Majeure Event.

25. COMPLIANCE WITH APPLICABLE LAWS

- 25.1 Each of the Parties shall perform its respective obligations and exercise its respective rights pursuant to this Agreement in compliance with all Applicable Laws.
- 25.2 Each of the Parties shall monitor changes in Applicable Laws relevant to the performance of their obligations under this Agreement and shall notify the other Parties of any change in Applicable Laws which may require a change to this Agreement.

26. GOVERNING LAW AND JURISDICTION

- 26.1 This Agreement and any non-contractual rights or obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of The Kingdom.
- 26.2 The Parties irrevocably agree that any Dispute shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**"), which Rules are incorporated by reference into this Clause. There shall be a panel of three (3) arbitrators appointed in accordance with such Rules as in effect on the date hereof. The language of the arbitration shall be English and the place of arbitration shall be the Dubai International Financial Centre. The award or decision of the arbitrators shall be final, binding upon the Parties and non-appealable. Judgment upon the award or decision rendered by the arbitrators may be entered in any court having competent jurisdiction.

26.3 For the purposes of this Clause, “ **Dispute** ” means any dispute, controversy, claim or difference of whatever nature arising out of, relating to, or having any connection with this Agreement, including a dispute regarding the existence, formation, validity, interpretation, performance or termination of this Agreement or the consequences of its nullity and also including any dispute relating to any non-contractual rights or obligations arising out of, relating to, or having any connection with this Agreement.

This Agreement has been entered into on the date stated at the beginning of it.

SAUDI ARAMCO DEVELOPMENT COMPANY

By: /s/ Yasser M. Mufti

Name: **Yasser M. Mufti**

Title: **Chairman of the Board of Directors**

In the presence of:

Signature of witness /s/ Majid A. Mufti

Name of witness Majid A. Mufti

Address of witness Dhahran

Occupation of witness Head of Upstream Transactions

ROWAN REX LIMITED

By: /s/ Thomas P. Burke

Name: **Thomas P. Burke**

Title: **Director and President**

In the presence of:

Signature of witness /s/ Hisham Al-Shehri

Name of witness Hisham Al-Shehri

Address of witness Dhahran

Occupation of witness Drilling Eng.

**RESTORATION PLAN OF
ROWAN COMPANIES, INC.
(As Restated Effective January 1, 2013)**

Section 1. Purpose and Operation

The purpose of the Restoration Plan of Rowan Companies, Inc. (“Plan”) is to provide a select group of management or highly compensated employees who are participants in The Rowan Pension Plan (“Pension Plan”) and/or the Rowan Companies, Inc. Savings and Investment Plan (“401(k) Plan”) certain benefits specified herein. The provisions of the Pension Plan and 401(k) Plan, as constituted from time to time, are incorporated by reference into the Plan. The Plan is intended to constitute a combination of an unfunded “excess benefit plan” within the meaning of Section 4(b)(5) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and “top hat plan” within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. This is a restatement of the Plan and is effective as of January 1, 2013 (“Effective Date”).

Section 2. Administration

(a) The Plan shall be administered by the committee appointed to be the “administrator” of the Pension Plan (“Committee”) or by any other person or persons designated by the Committee.

(b) The Committee shall have the power to interpret the Plan, establish rules for the administration of the Plan and make all other determinations necessary or desirable for the Plan’s administration.

(c) The decision of the Committee on any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive.

Section 3. Eligibility for Benefits

Eligible Employees (as such term is defined in the Pension Plan) who are participating in the Pension Plan and who are indicated as members of the Executive Group on the HR System of Rowan Companies, Inc. (the “Company”) (inclusive of former participants in the Pension Benefit Restoration Plan of LeTourneau Technologies, Inc.) shall participate in the Plan (“Participants”).

Section 4. Amount of Benefits

(a) Traditional Pension Benefit. The amount of benefit payable under the Plan to or with respect to a Participant in the Plan from and after the Effective Date who had an accrued benefit in the Pension Plan as of June 30, 2009 (which has been restated into Exhibit I of the Pension Plan as of July 1, 2009) shall be equal to the difference between (1) the amount of the pension benefit which would have been payable respecting such accrued benefit (assuming termination of employment with the Company as of June 30, 2009) but for the limitations on maximum benefits imposed under Section 415 of the Internal Revenue Code of 1986, as amended (the “Code”) and the annual compensation limit specified in Section 401(a)(17) of the Code and (2) the amount of the pension benefit which is actually payable respecting such accrued benefit (assuming termination of employment with the Company as of June 30, 2009), to the Participant or, in the event of his death, to his spouse or beneficiary. Such Plan benefit amount is hereinafter referred to as the “Traditional Pension Benefit Restoration Amount.”

(b) Cash Balance Pension Benefit. The benefit under the Plan to or with respect to a Participant in the Plan from and after the Effective Date who has an accrued benefit in the Pension Plan respecting periods after the Effective Date shall consist of contribution credits to a hypothetical bookkeeping account equal to the difference between (1) the contribution credits which would have been made to the Pension Plan respecting such periods but for the annual compensation limit specified in Section 401(a)(17) of the Code and (2) the contribution credits actually made to the Pension Plan respecting such periods. The contribution credits described in the preceding sentence shall be credited to such bookkeeping account annually as of the last day of the Pension Plan year, and such account shall also receive interest credits pursuant to Section 4(f) below. Such Plan benefit is hereinafter referred to as the “Cash Balance Pension Benefit Restoration Account.”

(c) LeTourneau Pension Benefit. The amount of benefit payable under the Plan to or with respect to a Participant in the Plan from and after the Effective Date who had an accrued benefit in the LeTourneau Technologies, Inc. Retirement Income Plan as of December 31, 2010 (which has been merged into Exhibit II to the Pension Plan as of January 1, 2013) shall be equal to the difference between (1) the amount of the pension benefit which would have been payable respecting such accrued benefit (assuming termination of employment as of December 31, 2010) but for the limitations on maximum benefits imposed under Section 415 of the Code and the annual compensation limit specified in Section 401(a)(17) of the Code and (2) the amount of the pension benefit which is actually payable respecting such accrued benefit (assuming termination of employment as of December 31, 2010), to the Participant or, in the event of his death, to his spouse or beneficiary. Such Plan benefit amount is hereinafter referred to as the “LeTourneau Pension Benefit Restoration Amount.”

(d) 401(k) Plan Benefit. The benefit under the Plan to or with respect to a Participant in the Plan from and after the Effective Date respecting periods after the Effective Date shall consist of contribution credits to a hypothetical bookkeeping account equal to the product of (1) the Participant’s “Compensation” as defined in the Pension Plan respecting such periods in excess of the annual compensation limit specified in Section 401(a)(17) of the Code, multiplied by (2) the maximum employer matching contribution percentage under the 401(k) Plan respecting such periods. The contribution credits described in the preceding sentence shall be credited to such bookkeeping account annually as of the last day of the Pension Plan year, and such account shall also receive interest credits pursuant to Section 4(f) below. Such Plan benefit is hereinafter referred to as the “401(k) Plan Benefit Restoration Account.”

(e) Supplemental Benefit. The supplemental benefit under the Plan to or with respect to a Participant in the Plan from and after the Effective Date shall consist of a contribution credit as of the Effective Date to a hypothetical bookkeeping account equal to the amount specified in Exhibit A to the Plan. Such account shall also receive interest credits pursuant to Section 4(f) below. Such Plan benefit is hereinafter referred to as the “Supplemental Benefit Restoration Account.”

(f) Interest Credits. As of the last day of each quarter in each calendar year, and as of each payment date with respect to a Participant in a calendar quarter, the Cash Balance Pension Benefit Restoration Account, the 401(k) Plan Benefit Restoration Account and the Supplemental Benefit Restoration Account of each Participant shall be credited with an interest equivalent based upon the rate of interest paid on ten-year United States treasury notes (as reflected in the United States Federal Reserve’s Statistical Release H-15) in November of the immediately preceding calendar year and the balances in each such account as of the first day of such quarter.

(g) Forfeitures. Provisions of this Section 4 to the contrary notwithstanding, if a Participant’s accrued benefit under the Pension Plan respecting periods after the Effective Date is forfeited, such Participant’s Cash Balance Pension Benefit Restoration Account, 401(k) Plan Benefit Restoration Account

and Supplemental Benefit Restoration Account shall each be reduced to 0 unless and until such accrued benefit under the Pension Plan is restored thereunder.

Section 5. Payment of Benefits

(a) This Plan shall be an unfunded plan and payments of benefits pursuant to this Plan shall be made from the general assets of the Company. No special or separate fund need be established and no segregation of assets need be made to assure the payment of such benefits. No Participant shall have any interest in any particular asset of the Company by virtue of his rights under this Plan.

(b) The payment of a benefit under this Plan to a Participant shall be deemed to be compensation for services, and shall constitute a liability to the Company in accordance with the terms hereof.

(c) At the time that a Participant was first designated as eligible to participate in and receive benefits under the Plan pursuant to Section 4(a) or Section 4(c), such Participant was permitted to elect that the Traditional or LeTourneau Pension Benefit Restoration Amount payable to him under the Plan (other than by reason of his death prior to commencement of payment to him) would be paid either:

(i) Commencing within the 60 day period immediately following his "separation from service" (as such term is defined for purposes of Section 409A of the Code) with the Company other than by reason of death (a "Separation") or, if later, the first day of the first month after he has attained the age of 40 as to the Traditional Pension Benefit Restoration Amount or 55 as to the LeTourneau Pension Benefit Restoration Amount; or

(ii) Commencing on the first day of the first month immediately following the date he attains the age of 60 as to the Traditional Pension Benefit Restoration Amount or 65 as to the LeTourneau Pension Benefit Restoration Amount.

Any such commencement of payment election was in writing, was made within 30 days of the Participant's designation as an employee eligible to participate in and receive benefits under the Plan and is irrevocable. In the case of a Participant who failed to make such a commencement of payment election, payment of the Participant's Traditional or LeTourneau Pension Benefit Restoration Amount shall commence within the 60 day period immediately following the Participant's Separation.

A Participant may elect to have his Traditional Pension Benefit Restoration Amount paid to him (other than by reason of his death prior to commencement of payment to him) in any of the following annuity forms, each of which shall be actuarially equivalent to the other (based upon the actual equivalence factors described in Exhibit I to the Pension Plan):

(i) A single life annuity.

(ii) A joint and 25%, 50%, 75% or 100% survivor annuity.

(iii) An annuity for a term certain of 5, 10 or 15 years and continuous for life if the Participant survives the term certain.

A Participant may elect to have his LeTourneau Pension Benefit Restoration Amount paid to him (other than by reason of his death prior to commencement of payment to him) in any of the following annuity forms, each of which shall be actuarially equivalent to the other (based upon the actual equivalence factors described in Exhibit II to the Pension Plan):

- (i) A single life annuity.
- (ii) A joint and 50%, 75% or 100% survivor annuity.
- (iii) An annuity for a term certain of 10 years and continuous for life if the Participant survives the term certain.

A Participant may make such an election as to the form of payment of his Traditional or LeTourneau Pension Benefit Restoration Amount (and change a form previously elected by him) at any time prior to commencement of payment to him of his Traditional or LeTourneau Pension Benefit Restoration Amount. Payments under such annuity form selected by a Participant for his Traditional or LeTourneau Pension Benefit Restoration Amount shall be made as of the first day of each month following commencement of payment of such Traditional or LeTourneau Pension Benefit Restoration Amount. In the event that a Participant fails to elect such form of payment of his Traditional or LeTourneau Pension Benefit Restoration Amount, it will be paid to him in the form of a single life annuity.

If a Participant dies prior to commencement of payment of his Traditional or LeTourneau Pension Benefit Restoration Amount to him, his Traditional or LeTourneau Pension Benefit Restoration Amount paid as a result of his death shall be paid as follows:

- (i) If the Participant is survived by a spouse, in the form of a single life annuity for the life of such spouse commencing within the 60-day period immediately following the date of the Participant's death; and
- (ii) If the Participant is not survived by a spouse, in a single lump sum to the Participant's beneficiary within 60 days immediately following the date of the Participant's death.

The paragraphs above to the contrary notwithstanding, if the aggregate present value of a Participant's Traditional or LeTourneau Pension Benefit Restoration Amount at the time of his Separation or death, as applicable, is less than the then limit imposed under Section 402(g)(1)(B) of the Code, such amount shall be paid to the Participant (or his spouse or beneficiary) in a single lump sum cash payment within 60 days following the Participant's Separation or death, as applicable.

The amounts payable pursuant to the paragraphs above shall be based upon the Participant's age and elections as of the date of the earlier of his Separation or death.

(d) A Participant's Cash Balance Pension Benefit Restoration Account, 401(k) Plan Benefit Restoration Account and Supplemental Benefit Restoration Account shall be paid in a single sum to the Participant, or in the event of the Participant's death, to the Participant's beneficiary, within 60 days immediately following the earlier of the Participant's Separation or death, as applicable.

(e) The paragraphs above to the contrary notwithstanding, Plan benefit payments to any Participant who is a "key employee" (as defined in Section 416(i) of the Code without regard to Paragraph (5) thereof) of the Company may not be made before the date which is six months after the date of such Participant's Separation or, if earlier, the date of death of the Participant. In the event of any such deferral, the first payment which is made from the Plan of the Participant's Traditional or LeTourneau Pension Benefit Restoration Amount to the Participant shall include a dollar amount equal to all payments which he would have received during the six-month deferral of payment period but for the six-month payment deferral described in the preceding sentence. The provisions of this Paragraph (e) shall not be applicable with respect to the portion of a Participant's Traditional or LeTourneau Pension Benefit Restoration Amount which was both accrued and vested as of December 31, 2004. For purposes of this paragraph (e), the term "Company"

shall include any entity treated as a single entity with Rowan Companies, Inc. pursuant to Sections 414(b) or (c) of the Code.

(f) If, as of December 31, 2008 an individual has an accrued or earned amount of deferred compensation owed to him from this Plan and from one or more other plans of deferred compensation of the Company which are required to be aggregated with this Plan pursuant to the provisions of Treasury Regulation 1.409A-1(c)(2) for purposes of the time and form of payment requirements of Section 409A of the Code and Treasury Regulation 1.409A-3, then all of the deferred compensation now or hereafter accrued or earned under this Plan respecting the Traditional or LeTourneau Pension Benefit Restoration Amount and under all other such plans shall be paid to the individual pursuant to the time and form of payment provisions of the plan in which the most recent accruals occurred or, if applicable, the time and form of payment elections made thereunder by the individual. From and after January 1, 2009, if an individual has an accrued or earned amount of deferred compensation owed to him from one or more other plans of deferred compensation of the Company which are required to be aggregated with one or more portions of this Plan pursuant to the provisions of Treasury Regulation §1.409A-1(c)(2) for purposes of the time and form of payment requirements of Section 409A of the Code and Treasury Regulation §1.409A-3 as of the date he first becomes a Participant in this Plan, then all of the deferred compensation accrued or earned under such one or more portions of this Plan and all such other plans shall be paid to the individual pursuant to the terms and provisions of the plan under which the individual first accrued and earned an amount of deferred compensation which is then owed to him or, if applicable the time and form of payment elections made thereunder by such individual.

(g) If a Participant terminated employment with the Company prior to January 1, 2009 and such Participant's Plan benefit had not commenced as of December 31, 2008 and such Plan benefit was subject to the provisions of Section 409A of the Code, such Participant could elect, pursuant to the transition time and form of payment election rules provided under Internal Revenue Service Notices 2006-79, 2007-78 and 2007-86, the time and form of payment for such Plan benefit from among the time and form alternatives described in Paragraph (c) of Section 5 provided that such election was made on or before December 31, 2008 and provided that such election would apply only to amounts which would not otherwise be payable in 2008 and would not cause any Plan benefit amount to be paid in 2008 that would not otherwise be payable in 2008. Any such election is irrevocable as of December 31, 2008.

(h) The Company shall withhold from all payments hereunder all applicable taxes that it is required to withhold.

Section 6. Beneficiaries

(a) Beneficiaries under this Plan shall be named by the Participants in accordance with the provisions of the Pension Plan.

(b) Notwithstanding anything to the contrary contained herein or in the Pension Plan, a Participant or the participant's beneficiary named to receive benefits under this Plan may, until death, change the beneficiary designated to receive benefits under this Plan subsequent to their respective deaths.

(c) In no event shall any change in a Participant's beneficiary affect the amount of benefits payable under this Plan.

Section 7. Amendment, Suspension, Termination

(a) The Board of Directors of the Company ("Board") may at any time amend, suspend or terminate this Plan.

(b) No amendment to this Plan or termination of the Plan by the Board shall divest a Participant of any benefit payable to such Participant under this Plan, unless the Participant agrees in writing to such divestment. Upon the termination of the Plan, the benefits under the Plan shall be determined as of the date of Plan termination.

Section 8. Non-Alienation of Benefits

The interest of a Participant or the Participant's beneficiary to any benefit under this Plan may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits hereunder be liable or subject to the debts, contracts, liabilities, engagements, or torts of any person to whom such benefits or funds are payable, nor shall they be subject to garnishment, attachment, or other legal or equitable process, nor shall they be an asset in bankruptcy, except that no amount shall be payable hereunder until and unless any and all amounts representing debts or other obligations owed to the Company or any affiliate of the Company by the Participant with respect to whom such amount would otherwise be payable shall have been fully paid and satisfied.

Section 9. Jurisdiction

The situs of the Plan hereby created is Texas. All provisions of the Plan shall be construed in accordance with the laws of Texas except to the extent preempted by federal law,

Section 10. Claims Procedure

All Participants shall have all the rights and remedies as set forth in the claims procedures applicable to the Pension Plan.

Section 11. Effect of Restatement

The terms and provisions of this restatement of the Plan shall apply with respect to all Plan Participants (whether currently employed by the Company or not) except as follows:

(a) if the Plan benefit of a Participant was entirely accrued and vested prior to December 31, 2004 such that it is not subject to the provisions of Section 409A of the Code, the time and form of payment of such Participant's Plan benefit shall continue to be governed by the terms and provisions of the Plan as in effect on the earlier of December 31, 2004 or the date that such Participant terminated his employment with the Company; and

(b) if payment of a Participant's benefit under the Plan (whether to the Participant as a result of a Separation or to his beneficiary or beneficiaries as a result of his death) has commenced prior to effective date of this restatement of the Plan, such payment shall be continued in the form as established at its original commencement without change or alteration.

IN WITNESS WHEREOF, the undersigned duly authorized officer Company have executed this Plan on behalf of the Company this 21st day of December, 2012.

ROWAN COMPANIES, INC.

By: /s/ J. K. Bartol

EXHIBIT A
to
RESTORATION PLAN OF
ROWAN COMPANIES, INC.

Supplemental Benefit Restoration Account

Contribution Credits as of July 1, 2009

Name of Participant

Contribution Credit

(Information in Exhibit A has been redacted)

**Summary of Annual Incentive Plan (AIP)
(as of February 2017)**

What is the AIP?	The Compensation Committee (the “Committee”) of the Board of Directors of Rowan Companies plc (the “Company”) administers the Company’s targeted cash incentive plan (the “AIP”). The AIP is a compensation plan administered pursuant to the Company’s incentive plan and this document summarizes its material provisions.
Who is eligible?	Named Executive Officers (NEOs) and certain other officers.
What is my target bonus?	Each participant in the AIP generally has an incentive target that is denominated as a percentage of base salary depending on salary/responsibility level.
How is the payout calculated?	<p>Once the bonus pool is funded, the Committee determines the actual bonus payout by assessing the Company’s performance against certain financial, operational or strategic metrics approved each year by the Committee. Such metrics may include, but are not limited to, the achievement of EBITDA or other financial metrics, safety performance, contracted non-productive time or other financial, operational or strategic objectives. In addition, the Committee also considers achievements made by the Company during the fiscal year.</p> <p>Under the terms of the AIP, 75% of the target bonus value is determined by reference to approved metrics, with payout ranging from 0% to 200% of target depending on achievement of the metric. The remaining 25% of the target bonus value is determined by the discretion of the Committee depending on Company achievements and performance during the year. Determinations with respect to any payouts under the AIP are usually made before March 15 of each year.</p> <p>The performance and other metrics for any year (including any methods for determining payout or the application of any discretion by the Committee) vary from year to year and are detailed in our annual proxy statement with respect to payments made for the prior fiscal year.</p>
What is the highest/lowest bonus I may receive?	Payout will be between zero and 200% of a participant’s target depending on the achievement of the metrics, the discretionary component and individual performance. Payouts are not guaranteed and are purely discretionary.
Are there thresholds for the AIP?	The AIP contains initial performance-based thresholds. These threshold performance goals are established to preserve the deductibility by the Company of AIP awards that are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code for federal income tax purposes, and do not represent the actual financial results we expect to achieve. The tax-based performance criteria are established by the Committee and may change from year to year. Determination of whether the performance criteria are met is made by the Committee after the end of each performance period.
Are AIP payouts subject to the Company’s incentive plan clawback provisions?	The Company’s incentive plan grants the Committee authority to make AIP payouts subject to clawback provisions that permit the Company to recoup all or a portion of the amounts paid to a participant if the Company’s reported financial or operating results are materially and negatively restated within five years of the payment of such amounts. In addition, the Company’s incentive plan permits the Company to recoup from participants who are engaged in conduct that was fraudulent, negligent or not in good faith, and which disrupted, damaged, impaired or interfered with the business, reputation or employees of the Company or its affiliates, or which caused a subsequent adjustment or restatement of the Company’s reported financial statements, all or a portion of the amounts paid under the plan within five years of such conduct.

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE CONFIDENTIAL TREATMENT FOR THOSE TERMS HAS BEEN REQUESTED. THE REDACTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE TERMS HAVE BEEN MARKED AT THE APPROPRIATE PLACE WITH TWO ASTERISKS (**).

EXECUTION VERSION

Shareholders' Agreement

DATED 21 NOVEMBER 2016 (G)

Between

SAUDI ARAMCO DEVELOPMENT COMPANY

and

ROWAN REX LIMITED

relating to the

OFFSHORE DRILLING JOINT VENTURE

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THIS SHAREHOLDERS' AGREEMENT (the **Agreement**) is made on 21 November 2016 (G),

BETWEEN:

- (1) **SAUDI ARAMCO DEVELOPMENT COMPANY** , a limited liability company incorporated and registered in the Kingdom with commercial registration number 2052002216 and with its registered office at P.O. Box 500, Dhahran, 3131, the Kingdom (**Saudi Aramco**); and
- (2) **ROWAN REX LIMITED** , a limited company duly organised and existing under the laws of the British Overseas Territory of the Cayman Islands (**Rowan**).

WHEREAS:

- (A) Saudi Aramco is a wholly-owned Affiliate of Saudi Arabian Oil Company, a fully-integrated, global petroleum enterprise engaging in the exploration, production, refining, distribution, shipping and marketing of oil and gas.
- (B) Rowan is a wholly-owned Affiliate of Rowan Companies plc, a global provider of contract drilling services whose Class A ordinary shares are traded on the New York Stock Exchange under the symbol "RDC".
- (C) Saudi Arabian Oil Company and RDC Arabia Drilling, Inc. (a wholly-owned Affiliate of Rowan Companies plc) executed a Memorandum of Understanding on 1 December 2015 (G) (the **MOU**) with respect to the formation of a 50/50 joint venture company to provide best in class offshore drilling services to Saudi Arabian Oil Company (in its capacity as a customer for offshore drilling services, being the **Saudi Aramco Customer**), and to own, operate and manage offshore drilling rigs in the Kingdom.
- (D) This Agreement will serve to establish the rights and obligations of the Shareholders in connection with the formation and operation of the company to be incorporated for use by the Shareholders as the special purpose vehicle for the project contemplated herein (the **Company**).
- (E) Rowan Companies plc is the Ultimate Holding Company of Rowan and has provided the Rowan Guarantee to Saudi Aramco, effective as of the Effective Date, for the purposes of guaranteeing the performance by Rowan and/or its Affiliates of their obligations under the Transaction Agreements.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 In this Agreement:

Accounting Policy has the meaning set forth in clause 12.2;

Acquired Shareholder has the meaning set forth in clause 16.4;

Adjourned Meeting has the meaning set forth in clause 6.3(b);

Affected Party has the meaning set forth in clause 24.1;

Affiliate means, in relation to any Person, any Subsidiary or Ultimate Holding Company of that Person and any other Subsidiary of that Ultimate Holding Company, but in relation to Saudi Aramco shall exclude:

- (a) the Government and Government Entities, as well as companies owned by the Government (including The Industrialization and Energy Services Company (TAQA) and the Public Investment Fund (PIF)), provided that, subject to subparagraphs (b) and (c) below, Saudi Arabian Oil Company and companies controlled by Saudi Arabian Oil Company shall be Affiliates of Saudi Aramco ;
- (b) the joint ventures (and each of their Subsidiaries) to be established by Saudi Aramco (or any of its Affiliates) which relate to onshore drilling services or the supply and/or customer chain of the IK Manufacturing JV, including offshore and subsea EPCI, casting and forging manufacturing services, engine manufacturing and energy industrial city ; and
- (c) the IK Manufacturing JV and its Subsidiaries.

Agreed Form means, in relation to any document, the form of that document which is initialled by or on behalf of each of Saudi Aramco and Rowan as at the Effective Date as being the final agreed form of such document;

Agreement has the meaning set forth above the Preamble;

Agreement of SHA Adherence means an agreement substantially in the form attached hereto as Schedule 12;

Applicable Law means any decree, law (including Islamic Shari'a), regulation, ministerial resolution or order, implementing regulation, statute, act, ordinance, directive (to the extent having the force of law), order, treaty, code or rule (including the drilling activities), as enacted, issued or promulgated in the Kingdom, or any interpretation thereof, by a Governmental Entity having jurisdiction over the matter in question;

Articles of Association means the articles of association of the Company in the Agreed Form to be adopted by the Shareholders;

Asset Transfer and Contribution Agreement means each agreement in the Agreed Form between the Company, Saudi Aramco and Rowan pursuant to which Saudi Aramco or Rowan (as applicable) contribute, amongst other things, the Assets to the Company;

Assets means the assets set forth in Schedule 1;

Audit Committee has the meaning set forth in clause 8.3(a);

Authorized Capital means the authorized capital of the Company, as specified in the Articles of Association;

Available Cash means, at any given time, the cash resources available to the Company as determined by the Board of Managers, taking into account: (a) the Company's on-going working capital requirements; (b) the Company's anticipated expenditure as contemplated by the Business Plan; and (c) covenants restricting distributions from the Company or requiring the maintenance of specified financial ratios in any Third Party debt financing;

Bank has the meaning set forth in paragraph 1.2(g) of Schedule 2;

Benchmark has the meaning set forth in paragraph 2 of Schedule 4;

Board Manager has the meaning set forth in clause 6.1(b);

Board of Managers has the meaning set forth in clause 6.1(a);

Board Reserved Matters has the meaning set forth in clause 6.6(b), but shall not include any Services Decisions;

Business has the meaning set forth in clause 3.1;

Business Day means a day (other than Friday or Saturday) on which banks are generally open in the Kingdom for normal business;

Business Plan means the business plan for the Company as may be amended or replaced from time to time in accordance with clauses 9.2 and 9.3;

Call Instruments has the meaning set forth in clause 16.8(a);

Call Notice has the meaning set forth in clause 16.8(a);

Call Option has the meaning set forth in clause 16.8(a);

Capital Contribution means any contribution, including the Initial Capital Contribution, by a Shareholder to the Company of: (i) cash and/or (ii) any Assets transferred, in consideration for Shareholder Instruments to be issued by the Company to such Shareholder;

CEO means the chief executive officer of the Company;

CFO means the chief financial officer of the Company;

Chairman has the meaning set forth in clause 6.1(d);

Change of Control means:

- (a) in relation to Saudi Aramco, Saudi Arabian Oil Company ceasing to have the right, directly or indirectly, to direct or manage the affairs of Saudi Aramco; and
- (b) in relation to any other Shareholder which at the Relevant Date is:
 - (i) not a Subsidiary of another company, it becoming a Subsidiary of another company; or
 - (ii) a Subsidiary of another company, either a change such that it has a new Ultimate Holding Company or such Shareholder ceases to be a Subsidiary of any company, unless after the consummation of the transaction that would otherwise constitute a Change of Control, the shareholders of the Ultimate Holding Company immediately prior to such transaction continue to own at least a majority of the voting securities of the Ultimate Holding Company formed or resulting from such transaction and such Ultimate Holding Company is or remains listed on one or more of (i) the London Stock Exchange (premium listing); (ii) the New York Stock Exchange; or (iii) NASDAQ

(Global Select Market), including their respective successor exchanges and operators (if any);

CIT has the meaning set forth in clause 11.2(b);

Commercial Registration Certificate means the certificate of commercial registration issued by MOCI;

Commitment Amount means, in respect of a Shareholder, the amount set forth against that Shareholder's name in Column (C) of Schedule 6;

Committee means the Audit Committee, the Compliance Committee and each other committee of the Board of Managers established in accordance with clause 8.1(b);

Companies Law means the Saudi Arabian Companies Regulations issued by Royal Decree No. (M/3) dated 28/01/1437 (H), as amended or replaced from time to time;

Company has the meaning set forth in the Preamble;

Company Under-Formation Bank Account has the meaning set forth in paragraph 1.2(g) of Schedule 2;

Competing Project means a business or venture that (i) develops, owns and/or operates offshore drilling rigs in the Kingdom and (ii) is or could reasonably be expected to be similar to or competitive with the Business (provided, that the provision of Managed Rigs and Leased Rigs shall not be considered a Competing Project);

Completion has the meaning set forth in paragraph 3.1 of Schedule 2;

Compliance Committee has the meaning set forth in clause 8.4(a);

Conditions Precedent means the conditions set forth in paragraph 2 of Schedule 2;

Confidential Information has the meaning set forth in clause 18.1;

Constitutional Documents means the documents required to incorporate the Company pursuant to paragraph 1.2 of Schedule 2;

Contributed Rig has the meaning set forth in paragraph 1.1(a) of Schedule 4;

Contributing Shareholder has the meaning set forth in clause 5.4(d);

Deadlock Committee has the meaning set forth in clause 10.2(a);

Deadlock Event has the meaning set forth in clause 10.1;

Decision has the meaning set forth in paragraph 8 of Schedule 8;

Default Notice has the meaning set forth in clause 15.2;

Default Price means [**];

Default Put Price means [**];

Defaulting Shareholder has the meaning set forth in clause 15.2;

Disclosing Party has the meaning set forth in clause 18.1;

Dispute has the meaning set forth in paragraph 1 of Schedule 9;

Dispute Resolution Procedures means the dispute resolution procedures set forth in Schedule 9;

Dissolution Event has the meaning set forth in clause 17.1;

Dividend Policy means the Dividend Policy of the Company set forth in Schedule 10;

Drilling Contract means a drilling contract between the Company and Saudi Aramco Customer, substantially in the form agreed by Saudi Aramco and Rowan prior to the Effective Date, provided that if the form of such drilling contract has not been agreed by the Effective Date, **Drilling Contract** shall mean a drilling contract substantially in the form of the latest executed drilling contract between Rowan (or any of its Affiliates) and Saudi Aramco Customer until such time as Saudi Aramco and Rowan agree another form in accordance with clause 7.3(l);

EBITDA means earnings before interest, Taxes, depreciation and amortization;

EBITDA Payback Model has the meaning set forth in paragraph 3.2(b) of Schedule 4;

Effective Date has the meaning set forth in clause 2.1;

Employee Matters Agreement means the employee matters agreement in the Agreed Form to be entered into among Saudi Aramco, Rowan and the Company;

Encumbrance means any mortgage, charge (fixed or floating), pledge, lien, option, restriction, right to acquire, right of pre-emption, right of first refusal, claim, interest, preference, assignment by way of security, trust arrangement for the purpose of providing security or any other security interest of any kind, including any agreement to create or grant any of the foregoing;

Event of Default has the meaning set forth in clause 15.1;

Executive Advisory Committee has the meaning set forth in clause 8.2(a);

External Auditor has the meaning set forth in clause 11.3;

Face Value means, in respect of any Subordinated Shareholder Loan, the aggregate amount of principal outstanding in respect of such Subordinated Shareholder Loan, together with any accrued but unpaid interest;

Fair Price means the price to be determined by the Independent Valuator in accordance with the valuation principles set forth in Schedule 8;

Financial Statements has the meaning set forth in clause 11.2(a);

Financial Year means a financial year of the Company ending on 31 December or any other financial year agreed by the Shareholders under this Agreement to be reflected in the Articles of Association;

Force Majeure Event has the meaning set forth in clause 24.2;

Formation Date has the meaning set forth in paragraph 1.3 of Schedule 2;

Formation Joint Costs and Expenses has the meaning set forth in paragraph 6.1(a) of Schedule 2;

Funding Notice means a Notice provided by or on behalf of the Company to the Shareholders pursuant to the terms of this Agreement requesting a Shareholder Injection, substantially in the form attached hereto as Schedule 13;

GAZT means the General Authority of Zakat and Tax at the Ministry of Finance in the Kingdom;

General Assembly has the meaning set forth in clause 7.1(a);

GOSI means the General Organization for Social Insurance in the Kingdom;

Governance Charter means the governance charter setting forth the corporate governance principles for the Company and the Business, particularly in relation to: (i) the roles and conduct of Senior Officers; (ii) the profile of the Company and its foreign investors incorporated outside the Kingdom as required by SAGIA; (iii) the Organizational Structure; and (iv) the development of local talent;

Government means the government of the Kingdom;

Governmental Entity means any ministry, agency, court, judicial committee, regulatory or other authority or institution of the Government;

Grantor has the meaning set forth in clause 16.8(a);

Gross Negligence means, in relation to a Person, a standard of conduct beyond negligence whereby that Person acts with reckless, willful and/or wanton disregard for the consequences of a breach of a duty of care owed to another;

Head Office has the meaning set forth in clause 2.4;

Holding Company has the meaning set forth in clause 1.2(a);

IFRS has the meaning set forth in clause 11.1(a)(i);

IK Manufactured Rig has the meaning set forth in paragraph 1.1(b) of Schedule 4;

IK Manufacturing JV has the meaning set forth in paragraph (d) of Schedule 3;

Independent Valuator means an independent third party, not affiliated or associated with, or routinely retained by, a Shareholder or any of its Affiliates, which is retained to establish the Fair Price or such other matter directed to an Independent Valuator for determination hereunder and which shall be an internationally recognized accounting firm or investment bank appointed in accordance with Schedule 8;

Information has the meaning set forth in clause 25.15(c)(i);

Initial Capital Contribution has the meaning set forth in paragraph 4 of Schedule 2;

Insolvency Event means, in respect of any Person, the bankruptcy or insolvency of such Person, including the occurrence of any of the following (or the occurrence of any equivalent processes to the following events) in respect of such Person:

- (a) being unable (or being deemed unable in accordance with the applicable law of its jurisdiction of incorporation) or admitting inability to pay its debts as they fall due or being liable to be wound up by a court of competent jurisdiction;
- (b) taking any action to appoint, request the appointment of, or suffering the appointment of, a receiver, administrative receiver, administrator, trustee or similar officer over all or a material part of its assets or undertaking; or
- (c) having a winding-up or administration petition presented in relation to it or having documents filed with a court for an administration in relation to it; provided that, in the case of a winding-up petition, if the relevant company is contesting the winding-up petition in good faith and with due diligence, it shall not be a Defaulting Shareholder until a period of fifteen (15) Business Days has expired since the presentation of the winding-up petition without it having been either discharged or struck out;

Intellectual Property means patents, rights to inventions, copyright and related rights, trade marks, business names and domain names, rights in get-up, goodwill and the right to sue for passing off, rights in designs, database rights, rights to use, and protect the confidentiality of, Confidential Information (including know-how), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted renewals or extensions of, and rights to claim priority from, such rights, and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;

Interpolated Screen Rate means, in relation to LIBOR for any payment, the rate (rounded to the same number of decimal places as the two (2) relevant Screen Rates) which results from interpolating on a linear basis between: (i) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the default interest period; and (ii) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the default interest period, each as at 11:00 a.m. in London three (3) Business Days before the first day of the default interest period for USD;

IVSC has the meaning set forth in paragraph 1(a) of Schedule 8;

Kingdom means the Kingdom of Saudi Arabia including the continental shelf and the exclusive economic zone thereof;

Labor Office means the relevant local labor office of the Ministry of Labor in the Kingdom;

LCIA has the meaning set forth in paragraph 2 of Schedule 9;

Leased Rig has the meaning set forth in paragraph 1.1(c) of Schedule 4;

LIBOR means, in relation to any payment denominated in USD (including any conversion into that currency pursuant to this Agreement): (i) the applicable Screen Rate at 11:00 a.m. in London three (3) Business Days before the first day of the default interest period for USD for the period equal to the default interest period of that payment; or (ii) if no Screen Rate is available for LIBOR for the default interest period of a payment, the applicable LIBOR will be the Interpolated Screen Rate for a period equal in length to such period; and if in either case that rate is less than zero (0), LIBOR will be deemed to be zero (0);

License Agreements means each of the: (i) the SA Intellectual Property License Agreement; and (ii) the Rowan Intellectual Property License Agreement;

Liquidator has the meaning set forth in clause 17.3;

Long Range Plan means the long term strategic plan of the Company, initially in the Agreed Form for the first fifteen (15) Financial Years following the Project Operations Date and thereafter as may be amended from time to time in accordance with clause 7.3;

Losses means any damages, losses, liabilities, claims of any kind, demands, interest or expenses (including reasonable attorney's fees, legal costs and expenses in defending against such liabilities and claims) suffered, incurred or paid, directly or indirectly;

Maintenance Capex means expenditures that are capitalized in accordance with Accounting Policy that are essential to keep the rig in a safe, efficient operating condition, including repairs, maintenance, recertification, and replacement;

Managed Rig has the meaning set forth in paragraph 1.1(d) of Schedule 4;

Management Team has the meaning set forth in clause 8.6(c);

Managing Director, Operations has the meaning set forth in clause 8.6(d);

Materials means any materials and know-how in whatever form, including software materials, corporate policies, manuals, methodologies, reports, user guides, specifications, training materials and/or operating procedures;

Maximization of Local Content Policy means the guidelines set forth in Schedule 11;

MinPet has the meaning set forth in clause 18.6;

MOCI means the Ministry of Commerce and Investment in the Kingdom;

MOU has the meaning set forth in the Preamble;

Non-Contributing Shareholder has the meaning set forth in clause 5.4(d);

Non-Defaulting Shareholder has the meaning set forth in clause 15.2;

Notice has the meaning set forth in clause 25.4(a);

Option Holder has the meaning set forth in clause 16.8(a);

Organizational Structure has the meaning set forth in clause 8.6(a);

Ownership Interest means, subject to paragraph 5.3 of Schedule 2, in respect of a Shareholder at any time, the aggregate of the Shareholder Instruments extended by, or issued to, or transferred to such Shareholder at or prior to such time, expressed as a percentage of the aggregate of all the Shareholder Instruments extended by, or issued to, or transferred to each Shareholder at or prior to such time;

Party means a party to this Agreement;

Performance Measures has the meaning set forth in Schedule 7;

Person means any individual, firm, company, corporation, joint stock company, limited liability company, partnership, joint venture, association, trust, unincorporated organization, Governmental Entity, state or agency of a state, or other entity, works council or employee representative body (whether or not having separate legal personality);

Pre-Emption Notice has the meaning set forth in clause 16.5(b)(iii);

Pre-Emption Ownership Interest has the meaning set forth in clause 16.5(b)(i);

Pre-Emption Period has the meaning set forth in clause 16.5(b)(iii);

Pre-Emption Price has the meaning set forth in clause 16.5(b)(ii);

Pre-Emption Sale Conditions has the meaning set forth in clause 16.5(b)(ii);

Pricing Discount has the meaning set forth in paragraph 2.3 of Schedule 4;

Pricing Mechanism has the meaning set forth in paragraph 2.1 of Schedule 4;

Project Documents means: (i) the Transaction Agreements; and (ii) each other contract necessary or advisable for the implementation of the Business, including construction contracts, civil works contracts, operating and services agreements, material supply contracts, etc.;

Project Operations Date means the date on which the Company commences its Business operations as evidenced by a certificate signed by Saudi Aramco and Rowan, being a date not earlier than the date the registrations referred to in paragraph 3.3 of Schedule 2 have been achieved;

Proxy has the meaning set forth in clause 6.2(d);

Purchase Price means in relation to an IK Manufactured Rig, the total aggregate amount payable by the Company to: (i) the IK Manufacturing JV under the relevant rig purchase agreement; and (ii) Persons (other than the IK Manufacturing JV) in connection with the manufacture, supply, delivery and/or installation of plant and equipment (including spares, handling tools, tubulars and Schedule G compliance items), but excluding any crew ramp up costs during the construction period and construction project management costs;

Purchaser has the meaning set forth in clause 16.5(b)(i);

Put Instruments has the meaning set forth in clause 16.9(a);

Put Notice has the meaning set forth in clause 16.9(a);

Put Option has the meaning set forth in clause 16.9(a);

Qualified has the meaning set forth in paragraph 3 of Schedule 11;

Qualifying Affiliate means a Saudi Aramco Qualifying Affiliate or a Rowan Qualifying Affiliate, as the context requires;

Receiving Party has the meaning set forth in clause 18.1;

Related Shareholder has the meaning set forth in clause 6.7(a);

Related Shareholder Transaction means any transaction or agreement entered into between: (i) the Company or any of its Affiliates; and (ii) any Shareholder or any of its Affiliates, including the Transaction Agreements. For the avoidance of doubt, any transaction that is performed pursuant to a tripartite agreement that includes both Shareholders as parties and which involves only one (1) of the Shareholders (or its Affiliate) shall constitute a Related Shareholder Transaction solely with respect to the affected Shareholder (or its Affiliate), but not to the other Shareholder that is not affected;

Relevant Date means the date on which any party becomes a Shareholder to this Agreement whether as an original Shareholder or by subsequently adhering to its terms in the manner described in this Agreement;

Relevant Transaction Agreements has the meaning set forth in clause 16.5(a)(ii);

Renewal Rate has the meaning set forth in paragraph 2.1 of Schedule 4;

Rig Cost means the Purchase Price plus crew ramp up costs during the construction period and construction project management costs;

Rig Lease Agreement means each rig lease agreement substantially in the Agreed Form to be entered into between the Company and Rowan (and/or one (1) of its Affiliates);

Rig Management Agreement means the rig management agreement in the Agreed Form to be entered into between the Company and Rowan (and/or one (1) of its Affiliates);

Rig Order Schedule means the “Rig Order Schedule” as set forth in Part 2 the Long Range Plan;

Rowan has the meaning set forth in the Preamble and/or any Qualifying Affiliate of Rowan which holds Shareholder Instruments from time to time (as appropriate);

Rowan Background Materials means all Materials that, as at Completion, are owned or controlled by Rowan (or any of its Affiliates) as may be useful in connection with the Business or otherwise to enable the provision of best-in-class drilling services by the Company on an independent, stand-alone basis;

Rowan Board Managers has the meaning set forth in clause 6.1(b);

Rowan Guarantee means the guarantee from Rowan Companies plc dated on or about the Effective Date in relation to Rowan’s and/or its Affiliates’ obligations under the Transaction Agreements and such term includes any replacement guarantee issued by Rowan Companies plc;

Rowan Intellectual Property License Agreement means the Intellectual Property license agreement in the Agreed Form to be entered into between Rowan (and/or one (1) of its Affiliates) and the Company pursuant to which Rowan grants a license to the Company to use certain Materials (including the Rowan Background Materials) under the Intellectual Property subsisting in those Materials;

Rowan Qualifying Affiliate means a legal entity in which Rowan Companies plc owns, directly or indirectly, one hundred percent (100%) of the equity interests and has the right (directly or indirectly) to direct and manage the affairs of such entity;

Rules has the meaning set forth in paragraph 2 of Schedule 9;

SAGIA means the Saudi Arabian General Investment Authority in the Kingdom;

SA Background Materials means all Materials that, as at Completion, are owned or controlled by Saudi Aramco (or any of its Affiliates) as may be useful in connection with the Business or otherwise to enable the provision of best-in-class drilling services by the Company on an independent, stand-alone basis;

SA Intellectual Property License Agreement means the Intellectual Property license agreement in the Agreed Form to be entered into between Saudi Aramco (and/or any of its Affiliates) and the Company pursuant to which Saudi Aramco (and/or any of its Affiliates) grant a license to the Company to use certain Materials (including the SA Background Materials) under the Intellectual Property subsisting in those Materials;

Saudi Arabian Oil Company means Saudi Arabian Oil Company, a company with limited liability duly organized and existing under the laws of the Kingdom and established by Royal Decree No. M/8 dated 4/4/1409 (H) (corresponding to 13 November 1988 (G));

Saudi Aramco has the meaning set forth in the Preamble and/or any Qualifying Affiliate of Saudi Aramco which holds Shareholder Instruments from time to time (as appropriate);

Saudi Aramco Board Managers has the meaning set forth in clause 6.1(b);

Saudi Aramco Customer has the meaning set forth in the Preamble;

Saudi Aramco Qualifying Affiliate means a legal entity in which Saudi Arabian Oil Company owns, directly or indirectly, one hundred percent (100%) of the equity interests and has the right (directly or indirectly) to direct and manage the affairs of such entity, provided that, following any listing on a recognized stock exchange of any or all of the shares of Saudi Aramco or any of its Qualifying Affiliates, or any of the shares of a Holding Company or the Ultimate Holding Company of Saudi Aramco or any of its Qualifying Affiliates, **Saudi Aramco Qualifying Affiliate** shall mean any legal entity in respect of which Saudi Arabian Oil Company has the right (directly or indirectly) to direct or manage its affairs;

Saudi Riyals (or **SAR**) means the official and lawful currency of the Kingdom from time to time;

Screen Rate means, in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for USD and the period displayed before any correction, recalculation or republication by the administrator on page LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate); or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Shareholders may agree another page or service displaying the relevant rate after consultation with the Company;

Secondees has the meaning set forth in clause 8.7(b);

Secondment Agreement means the secondment agreement substantially in the Agreed Form to be entered into between Saudi Aramco, Rowan and the Company pursuant to which each of Saudi Aramco and Rowan agrees to second personnel to the Company;

Secretary has the meaning set forth in clause 6.1(e);

Senior Officers has the meaning set forth in clause 8.6(b);

Services Agreements means the services agreement in the Agreed Form to be entered into among Rowan (and/or one (1) of its Affiliates), Saudi Aramco and the Company pursuant to which the Company and any Shareholder may agree statements of work under which that Shareholder provides certain services to the Company;

Services Decision means any decision that relates to: (a) any renewal, extension or termination of the Services Agreement (or in respect of any statement of work), whether in whole or in part; (b) the entry into any new or replacement agreement or arrangement for the provision of services to the Company by any Third Party or the Company (or any combination thereof) where such services were previously within the scope of the Services Agreement; (c) giving effect to paragraph (g) of Schedule 3; and/or (d) instructing the Management Team to plan for, make proposals to the Board of Managers in respect of or to implement any of the matters contemplated herein;

Shareholder means a shareholder of the Company being either: (i) Saudi Aramco and/or each of its Qualifying Affiliates which at any given time hold any Shareholder Instruments; or (ii) Rowan and/or each of its Qualifying Affiliates which at any given time hold any Shareholder Instrument, with **Shareholders** meaning both (i) and (ii);

Shareholder Injection means:

- (a) advancing cash to subscribe and pay for, or extending to the Company or causing the extension to the Company of, Shareholder Instruments in accordance with, or pursuant to, the terms of this Agreement; or
- (b) such other mechanism as the Shareholders may agree, consistent with Applicable Law;

Shareholder Instruments means (i) Shares; (ii) Subordinated Shareholder Loans; (iii) any other share capital of the Company; (iv) any loan stock, preferred equity certificates or any other equity-like instrument or interest in or issued by the Company; (v) any other instrument or interest evidencing indebtedness (whether or not interest bearing) in or issued by the Company in conjunction with any issued or to be issued share capital or other interest in the Company; and/or (vi) any interest in, or any instrument or document granting a right of subscription for, or conversion into, any of the items described in items (i) to (v) above or any analogous or equivalent interest in the Company;

Shareholders' Reserved Matters has the meaning set forth in clause 7.3;

Shares means the share capital of the Company;

Shortfall Amount has the meaning set forth in clause 5.4(d);

SOCPA has the meaning set forth in clause 11.1(a)(i);

SOX has the meaning set forth in clause 11.1(a)(i);

Steering Committee has the meaning set forth in paragraph 1.4 of Schedule 2;

Subordinated Shareholder Loans means subordinated loans provided by the Shareholders or their Affiliates or by banks (and which bank loan may be guaranteed by Shareholders or any of its Affiliates (in their absolute discretion)) to the Company, each evidenced by a promissory note substantially in the form attached hereto as Schedule 15;

Subsidiary has the meaning set forth in clause 1.2(a);

Substantial Project Impairment means a concrete and significant negative impairment of the Company's long-term commercial and financial objectives that will, if not remedied, materially and adversely impact the long-term full-cycle performance and competitiveness of the Company;

Support Obligation has the meaning set forth in clause 5.3(b)(iii);

Taxes means all Zakat, taxes (including income tax and any CIT), duties, levies and assessments, including withholding tax, customs duties, sales tax, consumption tax, value added tax (VAT) and stamp duty, together with any interest, surcharges, fines or penalties thereon, or in addition thereto and regardless of whether any of the same are chargeable directly or indirectly against or attributable directly or indirectly to any Person in any applicable jurisdiction;

Term has the meaning set forth in clause 4.1;

Third Party means any Person other than Saudi Aramco, Rowan (and any of their respective Affiliates) or the Company and its Subsidiaries (if any);

Transaction Agreements means: (i) this Agreement; (ii) the Articles of Association; (iii) each Asset Transfer and Contribution Agreement; (iv) the Services Agreement (v) the Employee Matters Agreement; (vi) the License Agreements; (vii) the Secondment Agreement; (viii) the Rig Lease Agreements; (ix) the Rig Management Agreement; (x) the Drilling Contract; (xi) the Subordinated Shareholder Loans; and (xii) any such other contracts or agreements between or among the Company and a Shareholder (or its Affiliates) relating to the Business and designated and agreed by the Shareholders as Transaction Agreements from time to time;

Transfer has the meaning set forth in clause 16.1(a);

Transfer Notice has the meaning set forth in clause 16.5(b)(i);

Transferee has the meaning set forth in clause 16.3(a);

Transferor has the meaning set forth in clause 16.3(a);

Transition Period means the period which is three (3) Years commencing on the Project Operations Date;

Tribunal has the meaning set forth in paragraph 3 of Schedule 9;

Ultimate Holding Company means a Holding Company which is not also a Subsidiary;

Unanimous Shareholders' Reserved Matters has the meaning set forth in clause 7.4;

U.S. Dollars , \$ or **USD** means the lawful currency of the United States of America from time to time;

U.S. GAAP means the generally accepted accounting principles of the United States of America; and

Vendor has the meaning set forth in clause 16.5(b).

1.2 In this Agreement, except where the context otherwise requires:

(a) a company is a **Subsidiary** of another company, its **Holding Company** , if:

(i) that other company:

- (A) holds a majority of the voting rights in it;
 - (B) is a member of it and has the right to appoint or remove a majority of its board of managers or directors; or
 - (C) is a member of it and controls alone, or, pursuant to an agreement with other members, a majority of the voting rights in it; or
- (ii) it is a Subsidiary of a company that is itself a Subsidiary of that other company;
- (b) references to a **company** shall be construed so as to include any Person, company, corporation or other body corporate or other legal entity, wherever and however incorporated or established (as applicable);
 - (c) references to a **Person** shall be construed in accordance with its definition in this Agreement;
 - (d) references to **equivalent** in regards to currency means at a spot rate of exchange quoted on the relevant Bloomberg page in the normal course of business and to be settled in the London foreign exchange markets for delivery on the second (2nd) Business Day thereafter;
 - (e) a reference to an enactment or regulation shall include a reference to any subordinate law, decree, resolution, order or the like made under the relevant enactment or regulation, and is a reference to that enactment, regulation or subordinate law, decree, resolution, order or the like as from time to time amended, consolidated, modified, re-enacted or replaced;
 - (f) words in the singular shall include the plural and vice versa, and references to one (1) gender shall include other genders;
 - (g) unless otherwise expressly stated, a reference to a Schedule, clause, section, subsection, or paragraph shall be a reference to a schedule, clause, section, subsection, or paragraph (as the case may be) of or to this Agreement;
 - (h) if a period of time is specified as from a given day, or from the day of an act or event, it shall be calculated inclusive of that day;
 - (i) references to Years, quarters, months, days and the passage of time shall be construed in accordance with the Gregorian (**G**) calendar;
 - (j) where the day on which any act, matter or thing is to be done is a day other than a Business Day, then that act, matter or thing shall be done on or by the next Business Day;
 - (k) references to writing shall not include e-mail except where expressly stated otherwise;
 - (l) unless otherwise specified, a reference to **includes** or **including** shall mean **includes without limitation** or **including without limitation** , as applicable;
 - (m) the Preamble and headings in this Agreement are for convenience only and shall not affect its interpretation;
 - (n) the Schedules to this Agreement form part of this Agreement, and a reference to this Agreement shall include such Schedules;

- (o) the words **best efforts** shall mean the use of diligence, good faith, and every realistic effort to the extent such efforts do not materially prejudice the interests of the acting party;
- (p) the words **commercially reasonable efforts** shall mean the use of reasonable efforts conducted in good faith in a commercially reasonable and prudent manner;
- (q) references to any agreement or contract, including this Agreement, shall be interpreted to mean such agreement or contract as amended, modified or supplemented in accordance with its terms from time to time; and
- (r) references to any Governmental Entity or any governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, judicial or administrative body, in any jurisdiction, shall include any successor to such entity.

2. EFFECTIVENESS, FORMATION AND COMMENCEMENT

2.1 Effectiveness

This Agreement shall become effective on the date hereof (the **Effective Date**).

2.2 Formation of the Company

- (a) The Company shall be formed in accordance with the provisions set forth in Schedule 2.
- (b) The Shareholders shall procure that, as soon as practicable after the Formation Date, the Company accedes to this Agreement by executing an agreement of adherence in the Agreed Form.

2.3 Name

The name of the Company shall be "Saudi Aramco Rowan Drilling Company".

2.4 Head Office

The head office of the Company (the **Head Office**) shall be located in Al-Khobar, in the Eastern Province of the Kingdom, or such other place within the Kingdom as the Shareholders may decide from time to time.

3. BUSINESS OF THE COMPANY

- 3.1 The business of the Company shall be, and the objective for which the Company is formed is, the development and operation of an offshore drilling business in the Kingdom, which shall include developing, establishing, owning, operating, managing, leasing and maintaining offshore drilling rigs and supporting equipment in the Kingdom, and the provisions of technical and administrative support services and training in relation thereto. These objectives, along with the activities set forth in Schedule 3, as may be amended by the Shareholders from time to time, shall constitute the **Business** of the Company.
- 3.2 The Business shall be conducted: (i) in accordance with the Business strategy set forth in Schedule 3; (ii) in accordance with appropriate international best practices as adopted by international drilling services companies in mature markets in all aspects of health, safety, security and environment, engineering and overall drilling operations; and (iii) in a commercially prudent manner designed to

maximize the Company's value and achieve high levels of efficiency, safety, productivity and profitability.

- 3.3 To assist the Company to achieve its objectives and conduct itself in accordance with the international best practices outlined in clause 3.2, the Shareholders shall, and shall procure that their respective Affiliates shall, support the Company and its Subsidiaries (if any) by providing the Company with services and licensed know-how on an actual cost basis, without any mark up or margin.
- 3.4 The Shareholders shall not:
- (a) cause the Company to undertake any activities which are contrary to or outside the scope of its licensed objectives, as amended from time to time;
 - (b) liquidate or terminate the Company before the end of its Term or the earlier achievement of its objectives unless so required under Applicable Law or permitted under this Agreement, provided that the Shareholders shall always act reasonably and in good faith with respect to any actual or proposed liquidation or termination of the Company;
 - (c) extract any value from the Company without the Company receiving anything of equal or higher value in return, other than by way of dividends distributed in accordance with the Dividend Policy, the repayment of Subordinated Shareholder Loans or through transactions or agreements made on an arm's length basis; or
 - (d) co-mingle their monies, funds, and activities with those of the Company.
- 3.5 Subject to the terms of this Agreement, the management and control of the Company shall be exercised in the Kingdom and the Shareholders shall use all reasonable endeavors to ensure that the Company is treated for all purposes, including Zakat and taxation, as resident in the Kingdom in accordance with clause 11.6(a).
- 3.6 The Company will operate the categories of drilling rigs set forth in Schedule 4, including, in respect of Leased Rigs and Managed Rigs, in accordance with the Rig Lease Agreements and Rig Management Agreements (respectively).
- 3.7 The Company shall be authorized to create Subsidiaries, each set up to own and operate drilling rigs and in furtherance of the Business, in accordance with the structures approved by the Shareholders pursuant to clause 7.3(g) as it may consider most efficient to implement the Business.

4. DURATION OF THE COMPANY

4.1 Duration of the Company

The initial duration of the Company shall be for a period of forty (40) Years (the **Term**), effective from and including the Formation Date.

4.2 Term and Extension

- (a) This Agreement shall become effective on the Effective Date and shall, pursuant to the terms and conditions hereof and subject to the clauses set forth in clause 17.6 which shall survive the termination of this Agreement, remain in effect for the duration of the Term.

- (b) The Term shall automatically renew for successive five (5) year periods, unless a Shareholder provides the other Shareholder at least twenty-four (24) months' written notice of its intention not to renew.
- (c) If, following notice of an intention not to renew the Term being given under clause 4.2(b):
 - (i) neither Saudi Aramco nor Rowan wish to continue the Business (whether alone or with the other), the Shareholders shall use commercially reasonable efforts to sell the Company or the Business as a going concern or, failing definitive documentation in respect of that sale process being entered into within a six-month period following notice of an intention not to renew the Term being given under clause 4.2(b), shall resolve to dissolve the Company, effective upon the conclusion of the Term;
 - (ii) one of Saudi Aramco and Rowan wishes to continue the Business and the other does not wish to continue the Business, the Shareholder wishing to continue the Business shall have the right to purchase all (but not some only) of the Shareholder Instruments collectively held by the Shareholder who does not wish to continue in accordance with the provisions of clause 16.8; or
 - (iii) both Saudi Aramco and Rowan wish to continue the Business, but not with the other:
 - (A) Saudi Aramco shall have the right to purchase all (but not some only) of the Shareholder Instruments collectively held by Rowan in accordance with the provisions of clause 16.8, provided that Saudi Aramco may only issue a Call Notice under this clause 4.2(c)(iii)(A) and clause 16.8 if the Call Notice is issued at least one hundred and eighty (180) days before the end of the Term; and
 - (B) if Saudi Aramco does not issue a Call Notice in accordance with clauses 4.2(c)(iii)(A) and 16.8 at least one hundred and eighty (180) days before the end of the Term, Rowan shall have the right to purchase all (but not some only) of the Shareholder Instruments collectively held by Saudi Aramco in accordance with the provisions of clause 16.8.

5. CAPITAL CONTRIBUTIONS AND FINANCING

5.1 Shareholder Commitments

- (a) The Shareholders intend to establish and maintain a capital structure which will employ both debt and equity.
- (b) Each Shareholder shall, in accordance with the terms of this Agreement and the Rig Order Schedule, contribute, advance and/or pay (as applicable) to the Company its proportionate share of the amounts required to meet the Company's funding requirements in respect of the Rig Cost of any IK Manufactured Rig, provided that:
 - (i) it is the intention of the Parties that the acquisition of each individual IK Manufactured Rig shall be financed, to the extent possible and prudent, out of (x) Available Cash and/or (y) funds available from Third Party debt financing, which the Company shall diligently seek to obtain on commercially reasonable terms, in preference to Shareholder Injections. If the Board of Managers is unable to agree the amount of

Available Cash or the terms of any Third Party debt financing, such matter shall be referred to the General Assembly. To the extent (A) there is an inability or refusal of the Board of Managers or Shareholders to meet or to reach an agreement as to the amount of such Available Cash or the terms of Third Party debt financing, and/or (B) there is insufficient Available Cash and/or Third Party debt financing, or Third Party debt financing is not available, the Shareholders shall be required to make Shareholder Injections, as necessary, to fund the acquisition of the relevant IK Manufactured Rig and any such inability by the Board of Managers or Shareholder to meet or to agree the amount of Available Cash or the terms of any Third Party debt financing shall not constitute a Deadlock Event;

- (ii) the Board of Managers may, in accordance with clause 6.6(b) and at any time following consultation with the Management Team, resolve to defer the acquisition of any IK Manufactured Rigs, in which case each Shareholder's corresponding funding obligations, and the Rig Order Schedule, shall be deemed to have been amended accordingly; provided that any such deferral shall apply equally to the Commitment Amount of each Shareholder; provided further that the inability of the Board of Managers or the General Assembly to reach an agreement with respect to any such deferral shall not constitute or result in a Deadlock Event; and
 - (iii) subject to clause 5.2 and 5.5 and Schedule 6, a Shareholder shall not be required to make, in the aggregate, Shareholder Injections to fund Rig Costs in respect of the purchase of IK Manufactured Rigs in excess of the amount set forth against such Shareholder's name in Column (B) of Schedule 6.
- (c) The Company shall, prior to each date Shareholder Injections are required in order to meet the Company's capital requirements, deliver to the Shareholders a Funding Notice which specifies the class and ratio of Shareholder Instruments to be contributed, advanced and/or subscribed and paid for by each Shareholder (as applicable). In issuing any Funding Notice, the Company shall act on the instructions of the Board of Managers from time to time, but failing any such instructions, the Company shall issue Funding Notices in a manner which is consistent with the terms of this Agreement; provided that the class of Shareholder Instruments specified in a Funding Notice shall be the same in respect of each Shareholder and the ratio to be provided by each Shareholder shall, subject to clause 5.4(b)(i), correspond to such Shareholder's Ownership Interest as of the date of such Funding Notice.
- (d) Each Shareholder shall deposit its Initial Capital Contribution in such amount, at such time and to such account as is specified in paragraphs 1.2(g) and 4 of Schedule 2.

5.2 Additional Shareholder funding

To the extent the Company requires Shareholder funding which is in excess of, or additional to, the amounts required to meet the Company's capital requirements as contemplated under clause 5.1, and such additional Shareholder funding has been approved by a resolution of the General Assembly passed in accordance with the Articles of Association and clause 7.3(d), the Company shall deliver to the Shareholders a Funding Notice which specifies the class and ratio of Shareholder Instruments to be contributed, advanced and/or subscribed and paid for by each Shareholder (as applicable); provided that the class of Shareholder Instruments specified in such Funding Notice shall be the same in respect of each Shareholder and the ratio to be provided by each Shareholder shall correspond to such Shareholder's Ownership Interest as of the date of such Funding Notice.

5.3 External Financing

- (a) Subject always to clause 6.6(b)(viii), the Shareholders anticipate that the Third Party debt (exclusive of Subordinated Shareholder Loans) employed by the Company will be composed of the following elements:
- (i) for Normal Operations (as defined herein), Third Party debt (exclusive of Subordinated Shareholder Loans) will be an amount up to the equivalent of the 12 month trailing multiple of [**] associated with such operations. For the avoidance of doubt, the anticipated debt threshold of [**] for Normal Operations set forth in this clause 5.3(a)(i) is not intended as a maintenance threshold that could increase or accelerate the Shareholders' Commitment Amounts should the leverage ratio increase beyond [**] during cyclical downturns; and is intended to act as a guide upon the incurrence of Third Party debt unrelated to the acquisition or refinancing of IK Manufactured Rigs. For the purpose of this clause 5.3(a)(i), **Normal Operations** means the business segment of the Company other than that associated with an IK Manufactured Rig during its initial contract; and
 - (ii) for the purpose of acquiring or refinancing one or more IK Manufactured Rigs, Third Party debt (exclusive of Subordinated Shareholder Loans) will be an amount up to [**] of the total cost, inclusive of all capitalized costs prior to being placed into service, of the rigs financed by such debt.
- (b) If the Board of Managers determines that the Company shall raise additional funding by way of loans from Third Parties, the Shareholders agree that:
- (i) without waiving their rights under clause 7, they shall each use their reasonable endeavors to assist the Company in obtaining such loans;
 - (ii) in the event the Shareholders agree to the use of funding from any Government lenders or funding providers, the Shareholders acknowledge that they may need to agree to allow such Government lender or funding provider to participate in the Authorized Capital of the Company, if such participation is a condition for the provision of funding by such Government lender or funding provider and the Shareholders have determined pursuant to clause 7.3 that the benefits of obtaining funding from such Government lender or funding provider justify the terms of the proposed participation in the Authorized Capital of the Company; and
 - (iii) to the extent that any undertakings, completion support, indemnities, warranties, securities or guarantees (**Support Obligation**) are required to be given by the Shareholders (or their Affiliates) as a condition to any such Third Party debt financing, the provision of any such Support Obligation shall be subject to approval of the Shareholders in accordance with clause 7.3(a).

5.4 Funding Calls

If a Funding Notice is issued to the Shareholders pursuant to clause 5.1(c) or clause 5.2:

- (a) each Shareholder undertakes that it shall exercise its rights as a Shareholder and take such steps (including the execution and delivery of documents) as are necessary or desirable to approve such issue of new Shareholder Instruments and to give effect to the issue of such new

Shareholder Instruments, including by signing all amendments before a notary public in the Kingdom;

- (b) each Shareholder shall within forty (40) Business Days of the issuance of a Funding Notice, contribute, advance and/or pay an amount which:
- (i) in respect of any Shareholder Injections required to be contributed by Shareholders under clause 5.1 to fund the acquisition of an IK Manufactured Rig, is equal to fifty percent (50%) of the aggregate amount required to be funded by all Shareholders; or
 - (ii) otherwise, when expressed as a percentage of the aggregate amount required to be funded by all Shareholders, is equal to its Ownership Interest,

and each Shareholder shall accordingly contribute, advance and/or subscribe and pay for a corresponding number of new Shareholder Instruments; provided that a Shareholder must contribute, advance, and/or subscribe and pay for each class of Shareholder Instrument in the ratio specified in the Funding Notice (which ratio shall be the same for each Shareholder unless otherwise mutually agreed);

- (c) to the extent any new Shareholder Instruments comprise Subordinated Shareholder Loans, all such Subordinated Shareholder Loans shall be on arm's length terms and conditions, or on terms and conditions that are not less beneficial to the Company than arm's length terms and conditions, which terms shall be identical for all Shareholders (other than in respect of the lender thereunder and the principal amount thereof but including a requirement that such Subordinated Shareholder Loans be drawn and repaid on a pro rata basis);
- (d) if there is a shortfall in the amount to be provided to the Company because a Shareholder (a **Non-Contributing Shareholder**) does not fund all of its portion of Shareholder Injections when required to do so in accordance with this Agreement (**Shortfall Amount**), then:
- (i) to the extent such Funding Notice related to part of the Non-Contributing Shareholder's Commitment Amount or such Non-Contributing Shareholder voted in favor of the resolution the subject of the Funding Notice (as contemplated in clause 5.2), such Non-Contributing Shareholder shall be considered a Defaulting Shareholder and shall be subject to an Event of Default under clause 15.1(b);
 - (ii) the other Shareholder (the **Contributing Shareholder**) may at any time following such failure to fund elect to, and the Non-Contributing Shareholder shall take such steps (including the execution and delivery of documents) to allow the Contributing Shareholder to, fund the entirety of such resulting deficiency by way of Shareholder Injections;
 - (iii) the class and ratio of Shareholder Instruments to be contributed, advanced, and/or subscribed for by the Contributing Shareholder to fund such Shortfall Amount shall be determined in such a way so that, following the funding of the Shortfall Amount by the Contributing Shareholder, the Authorized Capital to be held by the Contributing Shareholder when expressed as a percentage of the aggregate Authorized Capital following such funding shall be equal to that Contributing Shareholder's Ownership Interest (taking into account the aggregate amount funded by all Shareholders, including the Shortfall Amount to be funded by such Contributing Shareholder); and

- (iv) if the Contributing Shareholder funds the Shortfall Amount by way of Shareholder Injections in accordance with clause 5.4(d)(ii), the Non-Contributing Shareholder shall be entitled at any time within:
 - (A) ninety (90) days of the date of the relevant Default Notice where the failure to fund gives rise to an Event of Default; or
 - (B) otherwise, thirty (30) days of the due date for such Shareholder Injections,

to pay to the Contributing Shareholder an amount equal to the Shortfall Amount funded by the Contributing Shareholder and, subject to such payment by the Non-Contributing Shareholder, the Contributing Shareholder shall take such steps (including the execution and delivery of documents) to transfer the relevant Shareholder Instruments to the Non-Contributing Shareholder such that the Shareholders' Ownership Interest and Authorized Capital shall be the same as if the Non-Contributing Shareholder had made such payment in accordance with the relevant Funding Notice; and

- (e) following the making of any Shareholder Injections by Shareholders other than on a pro rata basis to their Ownership Interests:
 - (i) each of the Shareholders' Ownership Interests shall be adjusted upwards or downwards, as applicable and to such extent as reflects the relevant Shareholder Injections made by a Shareholder; and
 - (ii) to the extent that the relevant Shareholder Injections constituted Subordinated Shareholder Loans made by a Contributing Shareholder pursuant to clause 5.4(d) and the Non-Contributing Shareholder has not cured the funding shortfall in accordance with clause 5.4(d)(iv), such additional Subordinated Shareholder Loans shall: (x) accrue interest at a rate equal to the interest rate which would have been applicable on the Subordinated Shareholder Loan to be advanced by the Non-Contributing Shareholder, plus a margin of two hundred (200) basis points and (y) be senior to all amounts owed, and dividend payments to be made, by the Company to such Non-Contributing Shareholder until such Subordinated Shareholder Loans have been fully repaid through such amounts and dividend payments which would otherwise have been paid to the Non-Contributing Shareholder being paid to the Contributing Shareholder.

5.5 Article 181

- (a) If at any time the Company's accumulated losses, as determined by the Board of Managers in consultation with the Company's External Auditor, are equal to or greater than forty-five percent (45%) of its Authorized Capital, then:
 - (i) the Shareholders shall procure that all, or a portion of all, outstanding Subordinated Shareholder Loans are converted into Authorized Capital so as to avoid the Company's accumulated losses reaching or exceeding fifty percent (50%) of its Authorized Capital; and
 - (ii) the Board of Managers shall invite the General Assembly to meet within ninety (90) days from such time (provided that if the Company's accumulated losses reach or exceed fifty percent (50%) of its Authorized Capital, the Shareholders shall use best efforts to convene such meeting within twenty-five (25) days of such occurrence) to

consider what further action is to be taken in order to avoid the Company's accumulated losses reaching or exceeding fifty percent (50%) of its Authorized Capital. If, however, at the time of the General Assembly meeting, the Company's accumulated losses have already reached or exceeded fifty percent (50%) of its Authorized Capital, then:

- (A) the Board of Managers shall record this event in the commercial register records of the Company; and
- (B) the General Assembly shall consider and determine whether to continue or dissolve the Company.

(b) If the Face Value of the Subordinated Shareholder Loans to be converted into Authorized Capital in accordance with clause 5.5(a)(i) are insufficient to reduce the Company's accumulated losses to less than fifty percent (50%) of its Authorized Capital, and the General Assembly does not, or is unable to, resolve whether to continue or dissolve the Company in accordance with clause 5.5(a)(ii) within the earlier of: (i) ninety (90) days from the date of the meeting referred to in clause 5.5(a)(ii); and (ii) twenty-five (25) days from the Company's accumulated losses reaching fifty percent (50%) of the Authorized Capital, then, if the amount required to reduce the Company's accumulated losses to less than fifty percent (50%) of its Authorized Capital is:

- (i) less than or equal to fifty million U.S. Dollars (USD 50,000,000) in the aggregate during the Term, each Shareholder shall be required to make a Shareholder Injection for an amount which, when expressed as a percentage of the minimum amount required to reduce the Company's accumulated losses to less than fifty percent (50%) of its Authorized Capital, is equal to its Ownership Interest; or
- (ii) greater than fifty million U.S. Dollars (USD 50,000,000) in the aggregate during the Term, and any Shareholder undertakes to increase the Authorized Capital and make a Shareholder Injection in excess of its Ownership Interest share of the amount required to reduce the Company's accumulated losses to less than fifty percent (50%) of its Authorized Capital:

- (A) each Shareholder shall be required to make a Shareholder Injection for an amount which is equal to its Ownership Interest multiplied by fifty million U.S. Dollars (USD 50,000,000), provided that no Shareholder shall be required to make Shareholder Injections under this clause 5.5, in the aggregate, in excess of an amount equal to its Ownership Interest multiplied by fifty million U.S. Dollars (USD 50,000,000) during the Term; and
- (B) the Shareholder who has undertaken to make a Shareholder Injection in excess of its Ownership Interest share shall be required to make an additional Shareholder Injection equal to the amount it has undertaken to make so as to reduce the Company's accumulated losses to less than fifty percent (50%) of its Authorized Capital, first taking into account the Shareholder Injections to be made pursuant to clause 5.5(b)(ii)(A) and any additional contributions undertaken to be made by another Shareholder under clause 5.5(b)(ii).

(c) Any Shareholder Injections made pursuant to clause 5.5(b) shall be in addition to, and not form part of, the Shareholders' respective Commitment Amounts.

- (d) If a Shareholder: (i) causes the General Assembly to not, or to be unable to, resolve to increase the Authorized Capital where either or both Shareholders are required or elect to make Shareholder Injections under clause 5.5(b); or (ii) fails to comply with its obligations under clause 5.5(b), that Shareholder shall be a Defaulting Shareholder.

6. THE BOARD OF MANAGERS

6.1 The Board of Managers

- (a) Except as otherwise required by Applicable Law and clause 7.3, the Business of the Company shall be managed by a board of managers (the **Board of Managers**).
- (b) The Board of Managers will consist of six (6) members (each a **Board Manager**). Except as provided in clause 6.1(c), Saudi Aramco shall have the right to appoint, replace and remove three (3) Board Managers (the **Saudi Aramco Board Managers**), and Rowan shall have the right to appoint, replace and remove three (3) Board Managers (the **Rowan Board Managers**).
- (c) From the date of any dilution of the aggregate Ownership Interest of a Shareholder below:
- (i) **[**]**, such Shareholder shall have the right to appoint, replace and remove only two (2) Board Managers and the Shareholder that holds the remaining Ownership Interests shall have the right to appoint, replace and remove four (4) Board Managers;
 - (ii) **[**]**, such Shareholder shall have the right to appoint, replace and remove only one (1) Board Manager and the Shareholder that holds the remaining Ownership Interests shall have the right to appoint, replace and remove five (5) Board Managers; or
 - (iii) **[**]**, such Shareholder shall not have the right to appoint, replace or remove any Board Managers and the Shareholder that holds the remaining Ownership Interests shall have the right to appoint, replace and remove six (6) Board Managers.
- (d) The meetings of the Board of Managers shall be presided over by a chairman selected from the members of the Board of Managers (the **Chairman**), who shall be appointed by Saudi Aramco by way of written notice to the Company, and who shall not be a member of the Management Team. The Chairman shall have the power to:
- (i) issue Funding Notices and any other Notice requiring a Shareholder Injection on behalf of the Company in accordance with clauses 5.1(c), 5.2 and 5.5 (as applicable);
 - (ii) represent the Company in its relationship with other parties, to appear in the name of the Company before judicial bodies, Governmental Entities and departments, public notaries and courts, including the Committee for the Settlement of Negotiable Instruments Disputes, the Committee for the Settlement of Banking Disputes, the Committee for the Resolution of Securities Disputes, Boards of Arbitration, Civil Rights Divisions, police departments, Chambers of Commerce and Industry, private commissions, all companies and establishments;
 - (iii) sign the articles of association of companies in which the Company shall participate, including any deeds, declarations, applications, and notices that may be necessary or required for opening and closing branches, incorporating such companies and any document required to amend such articles of association, including before public notaries or other official bodies, and to attend and, as authorized by the Board of

Managers, vote on behalf of the Company at any meetings of the shareholders of such companies, including the constituent, ordinary, and extra-ordinary general assembly meetings;

- (iv) raise, defend, plead, settle, acknowledge, attend hearings, arbitrate, accept and reject claims or judgments equal to or below Five Hundred Thousand U.S. Dollars (USD 500,000) on behalf of the Company; provided that the Chairman shall not exercise any power referred to in this clause 6.1(d)(iv) without prior authorization from the Board of Managers;
- (v) formally preside over, but not mandate the agenda of, Board of Managers' meetings and General Assemblies;
- (vi) certify resolutions of the Board of Managers and General Assembly; and
- (vii) authorize, grant, and revoke (in whole or in part) powers of attorney or delegations to any third party to do or cause to be done any act within the Chairman's scope of authority and to re-delegate such act, subject to limitations on such action established by the Board of Managers or actions which are Board Reserved Matters, Shareholders' Reserved Matters or Unanimous Shareholders' Reserved Matters.

Subject to clauses 6.6(d) and 15.3(a)(iii), the Chairman shall not have a casting vote in the event of a tie in a Board of Managers' vote.

- (e) The administrative affairs of the Board of Managers shall be managed by a secretary (the **Secretary**), who shall be appointed by Saudi Aramco and approved by the Board of Managers and shall serve for such period of time as the Board of Managers shall determine in accordance with clause 6.6(b)(v). The Secretary may not be a Board Manager.
- (f) Each Board Manager shall serve for a term of three (3) Years following his/her appointment to the Board of Managers, or such shorter term as the appointing Shareholder may decide, subject to the earliest to occur of the following: (i) a successor being appointed by the appointing Shareholder for such Board Manager; (ii) the date upon which the appointing Shareholder ceases to be a Shareholder; and (iii) the resignation or removal of such Board Manager.
- (g) A Board Manager may be removed and replaced by the Shareholder who appointed such Board Manager at any time, without prejudice to such Board Manager's right to compensation from the Shareholder who appointed that Board Manager if such removal is made at an improper time or without an acceptable justification, upon written Notice to the other Shareholder and the Secretary. Additionally, any Board Manager may resign at any time upon written Notice to the Shareholder who appointed such Board Manager and to the Secretary.
- (h) Any Shareholder which removes a Board Manager shall be responsible for, and shall indemnify the other Shareholder and the Company against, any claim by such Board Manager of whatever nature arising out of such removal. If the aggregate Ownership Interest of a Shareholder falls below a threshold set forth in clause 6.1(c), such Shareholder shall procure the resignation of (or otherwise remove) the relevant number of Board Managers appointed by it such that, following such resignation or removal, the number of Board Managers appointed by it are within the limits set forth in this Agreement and shall indemnify the other Shareholder and the Company against any claims which may be brought by such resigning or removed Board Manager.

- (i) The Shareholders shall ensure that at least one (1) member of the Board of Managers shall be a Saudi Arabian national or resident in the Kingdom.
- (j) The Shareholders shall cause each of the Board Managers they respectively appoint to the Board of Managers, in the discharge of their Board Manager's duties: (i) to be committed to the goals, objectives and interests of the Company; (ii) to act in the best interests of the Company, notwithstanding the interests of the Shareholder that appointed the Board Manager; and (iii) to actively support the policies and interests of the Company.
- (k) The Shareholders shall use best efforts to ensure that the Board Managers appointed by them shall, when appointed to the Board of Managers, discharge their duties in good faith and with due diligence and in accordance with this Agreement.

6.2 Meetings; Notice; Proxy

- (a) The Board of Managers shall meet at least four (4) times a Year and the meetings shall, subject to the provisions of this Agreement (including clauses 6.3(a) and 6.3(c)), be held in the Kingdom unless otherwise agreed by a resolution of the Board of Managers, provided that at least one (1) meeting of the Board of Managers shall be within three (3) months from the end of each Financial Year in order for the Board of Managers to endorse the financial statements of the Company, prepare the Board of Managers' report, and prepare the Board of Managers' recommendations in relation to the distribution of dividends. The Shareholders shall procure that the Board of Managers file copies of these documents with MOCI within one (1) month from the date of their preparation.
- (b) A special Board of Managers' meeting may be convened by Notice given by at least one (1) Saudi Aramco Board Manager or one (1) Rowan Board Manager in writing to the Chairman and the Secretary, for good cause or a substantial reason related to the Business or the Company, the consideration of which cannot be reasonably deferred to a scheduled meeting of the Board of Managers.
- (c) At least fourteen (14) days' Notice of any Board of Managers' meeting (scheduled or special but excluding an Adjourned Meeting) shall be given and such Notice shall include the agenda (save in the case of an emergency where a Board of Managers' meeting may be convened on not less than 48 hours' Notice, in which case the Notice must indicate the nature of, and reasons for, the emergency). A Board Manager may waive (with respect to that Board Manager), in writing, any requirement for advance Notice of any meeting on behalf of such Board Manager. A written retrospective waiver of Notice, signed by a Board Manager, shall be deemed equivalent to a Notice to that Board Manager. A Board Manager's attendance at a Board of Managers meeting shall constitute a waiver of Notice (with respect to that Board Manager) of that meeting.
- (d) A Board Manager may be represented at any Board of Managers' meeting by another Board Manager or Senior Officer of the Shareholder appointing such Board Manager, provided that such person has been duly appointed as a proxy (**Proxy**) by the former in writing and Notice of such appointment is sent to the Secretary prior to such Board of Managers meeting.
- (e) Minutes of the Board of Managers' meeting shall be taken by the Secretary, recorded in the English language or, for third party facing resolutions, in the English and Arabic languages, circulated to the Board Managers after the meeting and, if agreed, signed by the Chairman.

The documents evidencing the adoption of resolutions shall be filed by the Secretary in the minute book which shall be kept at the Head Office.

6.3 Quorum; Telephonic Meetings

- (a) The quorum for any duly convened Board of Managers' meeting (including an Adjourned Meeting) shall be at least one (1) Board Manager appointed by each Shareholder which holds an Ownership Interest of at least twenty percent (20%), in each case attending in person or by Proxy, as permitted in clause 6.3(c) .
- (b) If a quorum is not present for a Board of Managers' meeting within thirty (30) minutes of the time appointed for the start of the meeting, or if during the meeting a quorum ceases to be present, the meeting shall be adjourned to the same time and place on the same day in the following week (an **Adjourned Meeting**) and the agenda for the Adjourned Meeting shall be those matters on the agenda of the original meeting which were not disposed of at the original meeting (unless all Board Managers agree otherwise). If a quorum is not present for an Adjourned Meeting within thirty (30) minutes of the time appointed for the start of the Adjourned Meeting, or if during the Adjourned Meeting a quorum ceases to be present, the meeting will be dissolved and the matters on the agenda for the Adjourned Meeting which were not disposed of at the Adjourned Meeting shall be referred to a meeting of the General Assembly to be held within fourteen (14) days of such Adjourned Meeting (unless all Board Managers agree otherwise). Notice of an Adjourned Meeting shall be given to all Board Managers.
- (c) A Board Manager (or his or her Proxy) may participate in any Board of Managers' meeting in person, by telephone, by video conference or by any other similar electronic means through which all Board Managers may communicate simultaneously. Such participation shall constitute presence at such meeting to the extent that each Board Manager gets a full opportunity to deliberate, pose and answer questions and hear all other participants on a real-time basis, and is able to identify which Board Manager is talking.

6.4 Written Consent

Any action to be taken by the Board of Managers may be taken without a meeting of the Board of Managers if the Board Managers entitled to vote on such action unanimously approve the taking of such action in writing. The written consents can be signed in a number of counterparts each signed by one (1) or more Board Managers, and all counterparts taken together shall be constituted as evidence of the resolution of the same action. The written consents to the taking of such action without a meeting and the record of the approved action shall be forwarded to the Secretary for inclusion in the minute book of the Company.

6.5 Reimbursement of Expenses of Board Managers

Board Managers shall not receive any remuneration from the Company. However, the Company shall reimburse Board Managers for reasonable out-of-pocket and travel-related expenses payable in connection with the duties performed by such Board Manager (and their Proxies) as a member of the Board of Managers in accordance with any guidelines set forth in the Governance Charter.

6.6 Resolutions of the Board of Managers

- (a) Except as otherwise expressly provided in this Agreement and as set forth in clause 6.6(b), the Board of Managers will adopt resolutions with respect to matters within its purview by the approval of a simple majority.
- (b) The Company and any Subsidiary of it (from time to time) shall not, and the Shareholders shall procure that the Company and any Subsidiary of it (from time to time) shall not, take any of the following actions (or anything which is analogous to or has a substantially similar effect to any of the following actions, whether undertaken as a single transaction or a series of connected or related transactions), other than by a resolution adopted by the Board of Managers with the affirmative vote of a simple majority that includes at least one (1) Saudi Aramco Board Manager (provided that Saudi Aramco holds an Ownership Interest of at least twenty percent (20%)) and one (1) Rowan Board Manager (provided that Rowan holds an Ownership Interest of at least twenty percent (20%)):
- (i) incur any capital expenditure in excess of Five Million U.S. Dollars (USD 5,000,000) in any Financial Year, save in respect of the acquisition of any IK Manufactured Rigs;
 - (ii) acquire or dispose of assets of the Company in excess of the greater of (A) the book value of such asset and (B) Five Million U.S. Dollars (USD 5,000,000), save in each case, in respect of the acquisition of any IK Manufactured Rigs;
 - (iii) enter into, amend or terminate any contract which involves payments in excess of Two Million Five Hundred Thousand U.S. Dollars (USD 2,500,000), or with a term of more than one year, save in respect of the acquisition of any IK Manufactured Rigs or the entry into, amendment or termination of any Drilling Contract;
 - (iv) acquire, relinquish, renew or vary a material term of a license, consent or approval (other than in the ordinary course of business);
 - (v) create, designate, change or eliminate positions of the Secretary, Senior Officers and the Management Team, other than the CEO, the CFO and the Managing Director, Operations;
 - (vi) create, establish, or dissolve Board of Managers' committees and approve or amend such committee's scope of delegation and responsibility;
 - (vii) approve or amend the Company's policies (other than the Dividend Policy);
 - (viii) enter into or amend the terms of any loans or borrowings or become liable under any guarantee or indemnity in excess of Two Million Five Hundred Thousand U.S. Dollars (USD 2,500,000) other than by way of Subordinated Shareholder Loans;
 - (ix) grant any Encumbrance over the Company's assets;
 - (x) provide or vary the terms of any credit or make any loan to, or guarantee the obligations of, any entity other than a Subsidiary;
 - (xi) prepay any loan;
 - (xii) factor or assign any book-debts;

- (xiii) change or modify the delegation of authority guidelines set forth in the Governance Charter;
- (xiv) change or determine the compensation and salary of the Senior Officers;
- (xv) endorse the financial statements and annual report, and recommend the same for approval by the Shareholders;
- (xvi) recommend the draft Business Plan (and any amendments thereto) for approval by the Shareholders;
- (xvii) defer the acquisition of any IK Manufactured Rigs, in accordance with clause 5.1(b)(ii);
- (xviii) make any significant change to the Accounting Policy, other than as required by Applicable Law or accounting standards;
- (xix) commence or settle any claim, lawsuit or litigation in excess of One Million U.S. Dollars (USD 1,000,000), including the settlement, write off or reduction of a receivable;
- (xx) decommission or make significant upgrades to a Company drilling rig;
- (xxi) open branches, offices or agencies for the Company in such other places, inside or outside the Kingdom, to carry out the Business and operations of the Company;
- (xxii) determine the grade code and payscale levels and attributes for any class of employees; or
- (xxiii) save as provided in the first sentence of clause 6.7(b) and clause 6.7(c), approve the entry into any Related Shareholder Transaction, the material amendment or waiver of any material rights under a Related Shareholder Transaction and/or the renewal or termination of any Related Shareholder Transaction,

(the **Board Reserved Matters**).

- (c) Where a Board Reserved Matter which would otherwise require approval under clause 6.6(b) has been expressly included in a Business Plan approved by the Shareholders for the Financial Year in which such Board Reserved Matter is proposed, is expressly contemplated in a Transaction Agreement or is otherwise approved by the Shareholders in accordance with clause 7.3 or 7.4, no further Board of Managers approval shall be required.
- (d) Notwithstanding any other provision of this Agreement:
 - (i) the Company and any Subsidiary of it (from time to time) shall not, and the Shareholders shall procure that the Company and any Subsidiary of it (from time to time) shall not, take any Services Decision other than by a resolution adopted by the Board of Managers with the affirmative vote of a simple majority that includes at least one (1) Saudi Aramco Board Manager;

- (ii) the quorum for any Adjourned Meeting where a Services Decision is on the agenda shall be any two (2) Board Managers, provided it includes at least one (1) Saudi Aramco Board Manager; and

in the event of a tie in a Board of Managers' vote in respect of any Services Decision, the Chairman shall have a casting vote or if the Chairman is not present any one (1) Saudi Aramco Board Manager participating shall have a casting vote.

6.7 Related Shareholder Transactions

- (a) With an exception to the Transaction Agreements and to the terms of any agreements with Shareholders or their Affiliates referred to in clause 14.1, all transactions and agreements of the Company for the benefit of or with any Shareholder or any of its Affiliates (such Shareholder being a **Related Shareholder**) shall be negotiated in good faith on terms that are no less favorable to the Company than those that could have been obtained in a comparable arm's length transaction by the Company with an unrelated Third Party.
- (b) The provisions of clause 6.6(b)(xxiii) shall not apply to the entry into, or a renewal or extension of, Drilling Contracts which are, or are to be, entered into, renewed or extended in the ordinary course of business.
- (c) In respect of any Asset Transfer and Contribution Agreement, the Shareholder who is not, or whose Affiliate is not, contributing Assets (as defined in such Asset Transfer and Contribution Agreement) shall be exclusively entitled to, on behalf of the Company, enforce any rights of the Company or take any action against the relevant Shareholder or its Affiliate, and without prejudice to the generality of the foregoing, shall be entitled to issue any notices, waivers, consents and other communication on behalf of the Company in respect of the enforcement or such rights or taking of such actions.

7. THE GENERAL ASSEMBLY OF THE COMPANY

7.1 The General Assembly

- (a) Meetings of the general assembly of Shareholders (the **General Assembly**) shall be held annually (within four (4) months following the end of each Financial Year) or more frequently as the Shareholders desire or upon the unanimous written request of the Board of Managers, the Company's External Auditor's written request or a Shareholder's written request. Meetings of the General Assembly shall be chaired by the Chairman. The Secretary shall be in charge of sending Notice of meetings, recording all minutes, deliberations and resolutions, and distributing copies of the same to all Shareholders. The Chairman shall certify resolutions of the General Assembly.
- (b) Except as otherwise provided herein, each Shareholder shall have voting rights commensurate with and proportionate to its Ownership Interest.
- (c) All meetings of the General Assembly shall be held in the Kingdom or such other place as shall be agreed by the Shareholders.
- (d) The quorum for any meeting of the General Assembly shall consist of Shareholders holding an aggregate Ownership Interest of at least sixty-six and two-thirds percent (66.67%).

- (e) Except as otherwise specifically provided in this clause 7, all conditions and procedures for Proxy, voting by written consent and telephonic, video or electronic meetings of the Board of Managers shall apply, mutatis mutandis, to the General Assembly, and clause 7.3 shall be applied accordingly. It is expressly agreed that a Proxy of a Shareholder may not be a Board Manager.

7.2 Notice; Conduct of Meetings

- (a) In the case of an ordinary meeting of the General Assembly, Notice thereof must be delivered at least thirty (30) days prior to such ordinary meeting, and in the case of a special meeting, Notice thereof must be delivered at least fourteen (14) days prior to the date of such special meeting. The Notice shall contain a reasonably detailed agenda setting forth, among other things, those subjects which any of the Shareholders or the Board of Managers may have proposed to be discussed or voted on at the said meeting.
- (b) A written retrospective waiver of Notice, signed by an authorized signatory of the Shareholder, shall be deemed equivalent to a Notice to that Shareholder. A Shareholder's attendance at a General Assembly meeting shall constitute a waiver of Notice to that Shareholder of that meeting.
- (c) Minutes of meetings of the General Assembly shall be taken by the Secretary, recorded in the English language or, for third party facing resolutions, in the English and Arabic languages, circulated to the Board Managers during or after the meeting and, if agreed, signed by the Chairman at the closing of the meeting. The documents evidencing the adoption of resolutions shall be filed by the Secretary in the minute book, which shall be kept at the Head Office.

7.3 Supermajority Powers of the General Assembly

The Company and any Subsidiary of it (from time to time) shall not, and the Shareholders shall procure that the Company and any Subsidiary of it (from time to time) shall not, take any of the following actions or anything which is analogous to or has a substantially similar effect to any of the following actions, whether undertaken as a single transaction or a series of connected or related transactions (including decisions of the General Assembly made at a meeting reconvened due to a lack of quorum), other than by a resolution adopted at a duly constituted meeting of the General Assembly with the affirmative vote of one or more Shareholders holding at least eighty percent (80%) of the Ownership Interests held by the Shareholders present in person or by Proxy as permitted hereunder and entitled to vote at such meeting:

- (a) approval of the provision of any Support Obligation in connection with any Third Party debt financing or the terms of any Third Party debt financing which imposes any restrictions on distributions by the Company to the Shareholders;
- (b) approval of the Company's financial statements;
- (c) approval of the Business Plan or any Long Range Plan and any amendments thereto;
- (d) any issue of or entry into Shareholder Instruments (other than pursuant to: (i) a Funding Notice in respect of a Commitment Amount; (ii) in accordance with clause 5.5; (iii) in accordance with the terms of an Asset Transfer and Contribution Agreement; or (iv) otherwise approved under this clause 7.3);

- (e) creating, designating, changing or eliminating the positions of CEO, CFO or Managing Director, Operations;
- (f) appointment, re-appointment or removal of the External Auditors of the Company;
- (g) forming any Subsidiary, branch or representative office;
- (h) incurring capital expenditure above Five Million U.S. Dollars (USD 5,000,000), and any capital expenditures outside the Business Plan other than a pre-agreed emergency and hazard contingency amount, save in respect of the acquisition of any IK Manufactured Rigs or a replacement rig as contemplated by clauses 5.8 to 5.10 of the Saudi Aramco Asset Transfer and Contribution Agreement and clauses 5.10 to 5.12 of the Rowan Asset Transfer and Contribution Agreement;
- (i) any decision or action that would have the effect of amending the Pricing Discount or the Pricing Mechanism;
- (j) any decision or action that would have the effect of increasing or decreasing the retention of earnings;
- (k) during Normal Operations, increasing the expected debt threshold above two and a half (2.5) times EBITDA as provided in clause 5.3(a) or the determination of any other leverage or financing restrictions applicable to the Board of Managers and the Company;
- (l) material modification or amendment to the form of the Drilling Contract;
- (m) listing of the Shares or any other Shareholder Instruments of the Company or any Subsidiary on any regulated investment exchange; and
- (n) deciding on any Board Reserved Matter to be considered by the General Assembly,

(the **Shareholders' Reserved Matters**).

7.4 Unanimous Powers of the General Assembly

The Company and any Subsidiary of it (from time to time) shall not, and the Shareholders shall procure that the Company and any Subsidiary of it (from time to time) shall not, take any of the following actions or anything which is analogous to or has a substantially similar effect to any of the following actions, whether undertaken as a single transaction or a series of connected or related transactions (including decisions of the General Assembly made at a meeting reconvened due to a lack of quorum), other than by a resolution adopted at a duly constituted meeting of the General Assembly with the unanimous affirmative vote of the Shareholders present in person or by Proxy as permitted hereunder and entitled to vote at such meeting:

- (a) changing the nationality or form of entity of the Company;
- (b) entry by the Company into any merger, consolidation, amalgamation, restructuring or reconstitution;
- (c) increasing the Commitment Amount of the Shareholders or accelerating the acquisition of any IK Manufactured Rigs by reference to the Rig Order Schedule;

- (d) disposal of all or substantially all of the Company's undertaking or assets;
- (e) the acquisition by the Company of any IK Manufactured Rig from any proposed partner of the IK Manufacturing JV;
- (f) any amendment to, or repeal of, the Articles of Association or any other constitutive documents (excluding the commercial register records at MOCI and the Commercial Registration Certificate), including any change to the name, Authorized Capital, Dividend Policy or Financial Year of the Company;
- (g) varying the rights attached to any Shareholder Instruments of the Company;
- (h) the actual or proposed dissolution, liquidation or winding-up of the Company, or the appointment of a liquidator;
- (i) the Company entering into or conducting a business significantly different from the Business contemplated in this Agreement; and
- (j) matters that would involve the Company losing its limited liability status,

(the **Unanimous Shareholders' Reserved Matters**).

7.5 Ordinary Shareholder Matters

Any matter to be approved or decided upon by the Shareholders that is not to be decided as a Unanimous Shareholders' Reserved Matter or a Shareholders' Reserved Matter shall require the approval of one or more Shareholders holding an aggregate Ownership Interest of more than fifty percent (50%).

8. CREATION OF COMMITTEES, THE MANAGEMENT TEAM

8.1 Creation of Committees

- (a) Promptly after the Formation Date and pursuant to its powers under clause 6.6(b)(vi), the Board of Managers shall establish and create the Executive Advisory Committee, the Audit Committee and the Compliance Committee.
- (b) The Shareholders shall cause the Articles of Association to specify that, in addition to the Committees set forth in clause 8.1(a), the Board of Managers may create one (1) or more Committees to consider any matters that the Board of Managers shall, from time to time, assign to each such Committee. Unless otherwise expressly provided, the Board of Managers may appoint individuals who are not Board Managers to serve on each such Committee. The individuals appointed to each such Committee shall serve at the direction of the Board of Managers and perform only such tasks and duties as the Board of Managers shall delegate to each such Committee from time to time.

8.2 The Executive Advisory Committee

- (a) Promptly after the Formation Date, the Shareholders shall cause the Board of Managers to establish an executive advisory committee (the **Executive Advisory Committee**) comprising one (1) Board Manager appointed by each of Saudi Aramco and Rowan.

- (b) The Executive Advisory Committee will be responsible to: (i) advise and support the CEO and the rest of the Management Team with regards to the implementation of the Business; (ii) identify and explore potential synergies between the Company and Saudi Aramco Customer; (iii) subject always to clauses 6.1(d)(iv) and 6.6(b)(xix), manage any disputes or potential disputes between the Company and Saudi Aramco Customer; and (iv) perform such duties and have such responsibilities as are delegated to it from time to time by the Board of Managers.
- (c) All decisions of the Executive Advisory Committee shall be taken by a unanimous vote of the members thereof.

8.3 The Audit Committee

- (a) Promptly after the Formation Date, the Shareholders shall cause the Board of Managers to establish an audit committee (the **Audit Committee**) comprising Board Managers who are not members of the Management Team. The Board of Managers shall determine, by way of a resolution, the term and the number of, and the Board Managers who shall comprise, members of the Audit Committee, provided that these include at least one (1) representative appointed by each Shareholder which holds an Ownership Interest of at least twenty percent (20%).
- (b) The Audit Committee will perform such duties and have such responsibilities as are delegated to it from time to time by the Board of Managers, including reviewing and ensuring the adequacy and effectiveness of the Company's system of internal controls, approving and directing internal audit plans, supervising the preparation of the Company's Financial Statements, recommending the appointment of the External Auditor and ensuring that the required access to the Company's books, records and personnel is provided to the External Auditor as well as any auditors appointed by individual Shareholders, whether jointly or severally, to conduct audits on their behalf.
- (c) All decisions of the Audit Committee shall be taken by an affirmative vote of the majority of the members thereof.

8.4 The Compliance Committee

- (a) Promptly after the Formation Date, the Shareholders shall cause the Board of Managers to establish a compliance committee (the **Compliance Committee**) to comprise suitably experienced individuals, none of whom are members of the Management Team, for the purpose of establishing, ensuring and overseeing the implementation of a compliance policy for the Company. The compliance policy for the Company shall be fully developed and applied in a manner that aims to be consistent with Applicable Law.
- (b) The Board of Managers shall determine, by way of a resolution, the term and the number of, and the Board Managers who shall comprise, members of the Compliance Committee, provided that these include at least one (1) representative appointed by each Shareholder which holds an Ownership Interest of at least twenty percent (20%).
- (c) All decisions of the Compliance Committee shall be taken by an affirmative vote of the majority of the members thereof.

8.5 Meetings of Committees

- (a) The quorum for any meeting of a Committee shall be met when at least one (1) individual designated by each of the Shareholders is present.
- (b) Each Committee shall meet as regularly as each shall determine, but not less than twice a Year and whenever so requested by not less than fourteen (14) days' Notice from any of its members.
- (c) Meetings of Committees may be conducted by telephone, by video conference or by any other similar electronic means through which all members of the Committee may communicate simultaneously. The members of each such Committee may record the proceedings of meetings of such Committee in such manner as they deem appropriate.

8.6 The Management Team and Senior Officers

- (a) The Shareholders shall cause the Board of Managers to adopt the organizational structure set forth in the Governance Charter (the **Organizational Structure**) from the Project Operations Date or at such other time as agreed between the Shareholders.
- (b) The Shareholders shall cause the Board of Managers to, subject to the nomination and approval rights of the Shareholders in this clause 8.6 and the Governance Charter, from time to time appoint those positions that are to be known as senior officers of the Company (the **Senior Officers**), who shall be appointed with regard to the competencies, qualifications and experience appropriate and suitable to perform the role in the best interests of the Company and the objectives of the Business, and otherwise as set forth in the Governance Charter. Persons nominated by the Shareholders in accordance with this clause 8.6 for appointment by the Board of Managers as Senior Officers shall be appointed by the Board of Managers to such positions (provided such Person meets the relevant criteria set forth in this clause 8.6).
- (c) The CEO and the CFO, as well as the other Senior Officers who report directly to them, shall constitute the management team (the **Management Team**). The Management Team shall conduct the Business and operations of the Company in accordance with the terms and conditions of the Business Plan then in effect and the Articles of Association. The Management Team shall be led by the CEO and the CFO.
- (d) Senior Officers, other than the CEO and the CFO, shall consist of such positions that the Board of Managers from time to time deem necessary and desirable to manage the Company and may at the establishment of the Company include head of operations of the Company (the **Managing Director, Operations**), a human resources manager and such other Senior Officers as the Board of Managers may determine.
- (e) Unless otherwise stated in the Governance Charter, the terms of office for the CEO, the CFO, the Managing Director, Operations and all other Senior Officers shall be three (3) Years, unless: (i) otherwise decided by the Shareholders in accordance with clause 7.3(e) in the case of the Managing Director, Operations, the CEO or the CFO; (ii) otherwise decided by the Board of Managers in accordance with clause 6.6(b)(v) in the case of all other Senior Officers; or (iii) a Senior Officer resigns from such office. Removal of a Senior Officer prior to the expiration of their term of office shall require a Shareholders' resolution in accordance with clause 7.3(e) in the case of the Managing Director, Operations, the CEO or the CFO or a Board of Managers' resolution in accordance with clause 6.6(b)(v) in the case of all other Senior Officers.

- (f) Subsequent to the initial appointment of the CEO, CFO and Senior Officers, and unless a suitably qualified candidate directly hired by the Company can be appointed by the Board of Managers, the positions of CEO, CFO and any other Senior Officer positions shall be filled by nominees of Saudi Aramco and Rowan as provided below.
- (g) The positions of the Senior Officers shall be filled on the basis of the principles of equality between the Shareholders, subject to each Shareholder's actual Ownership Interest, and in accordance with the Governance Charter. Nominations of potential Senior Officers shall be based on merit and performance and approval of the preferred candidate for each position shall be subject to the approval of each of Saudi Aramco and Rowan pursuant to clause 7.3(e).
- (h) Rowan shall, provided that it holds an Ownership Interest of at least twenty percent (20%), have the right to nominate a person who meets the criteria set forth in the Governance Charter as the CEO of the Company, as and when required from time to time throughout the existence of the Company. The CEO shall be subject to approval of the Shareholders in accordance with clause 7.3(e) and, if so approved, appointed by the Board of Managers, and shall be the primary executive officer of the Company who, subject to the terms and conditions hereof, shall be responsible for the general and executive day-to-day management and daily administration of the Business and operations of the Company. The CEO shall also implement decisions of the Board of Managers and shall report directly to the Board of Managers. The duties and powers of the CEO shall be determined, and may be amended from time to time, by the Board of Managers in accordance with clause 6.6(b)(v). If Rowan loses the right to nominate the CEO by virtue of holding an Ownership Interest of less than twenty percent (20%), the CEO shall be nominated and appointed by the Board of Managers.
- (i) Saudi Aramco shall, provided that it holds an Ownership Interest of at least twenty percent (20%), have the right to nominate a person who meets the criteria set forth in the Governance Charter as the CFO of the Company, as and when required from time to time throughout the existence of the Company. The CFO shall be subject to approval of the Shareholders in accordance with clause 7.3(e) and, if so approved, appointed by the Board of Managers and shall oversee and be responsible for all financial and accounting matters pertaining to the Business. The CFO shall further discharge any other duties as shall be determined by the Board of Managers or as may from time to time be delegated to him by the CEO or the Board of Managers. The CFO shall report directly to the CEO. The CFO shall present reports on the financial and accounting matters of the Business from time to time to the CEO and, upon request of any Board Manager, at a specified meeting of the Board of Managers. If Saudi Aramco loses the right to nominate the CFO by virtue of holding an Ownership Interest of less than twenty percent (20%), the CFO shall be nominated and appointed by the Board of Managers.
- (j) The Management Team shall implement management policies and programs established and authorized by the Board of Managers, including those policies of the Company as set forth in clause 12. The Shareholders shall cause the Management Team to be committed to the goals, objectives and interests of the Company and to actively support the policies and interests of the Company. For the avoidance of doubt, nothing in this Agreement shall prohibit any Senior Officer or other member of the Management Team from serving concurrently as a Board Manager.

8.7 Employees of the Company and Secondees

- (a) The Company will employ such employees as are required for the conduct of the Company's activities, as determined by the Management Team, and in conformance with this Agreement

(including the provisions of Schedule 11), Applicable Law and manpower plans set forth in the Business Plan.

- (b) In order to make available certain specific expertise which will provide a technological or commercial benefit to the Company as it commences operations, the Shareholders (or their Affiliates) shall second employees (**Secondees**) to the Company in accordance with, and subject to the terms of, the Secondment Agreements.

8.8 Information Requests

Each Shareholder, acting through a designated Person, shall have the right to request in writing information relating to the Business from the CEO or his designee (appointed with Notice to the Shareholders) from time to time. To the extent any such information request from a Shareholder is commercially reasonable and does not contravene Applicable Law with respect to the Company then, subject to this clause 8.8 and any confidentiality obligations owed to third parties, the CEO or his designee, as the case may be, shall provide such information to the relevant Shareholder as soon as reasonably practicable after receipt of such request, with a copy thereof to the other Shareholder. Notwithstanding the foregoing, the CEO or his designee shall at no time during or following termination of this Agreement disclose any Confidential Information other than in accordance with clause 18.

9. STRATEGIC AND ANNUAL PLANNING

9.1 Long Range Plan

- (a) The long term strategic plan of the Company sets forth anticipated activities of the Company over an extended time horizon.
- (b) At the first Board of Managers meeting following the Formation Date, the Board of Managers shall review and adopt the initial Long Range Plan in the Agreed Form.
- (c) With the exception of the Rig Order Schedule, the Shareholders agree that all figures referred to in the Agreed Form of the Long Range Plan are aspirational only and non-binding.
- (d) The Long Range Plan shall be subject to review by the Board of Managers every three (3) Financial Years or as business conditions or changes in strategy dictate.

9.2 Business Plan

- (a) At the first Board of Managers meeting following the Formation Date, the Board of Managers shall consider and, if approved by Shareholders in accordance with clause 7.3(c), adopt an initial Business Plan setting forth the activities and operating and capital annual budgets for the Company until the end of the first Financial Year following the Project Operations Date (on a binding basis) and for the two (2) Financial Years thereafter (on a projected basis). The Parties acknowledge and agree that such initial Business Plan will be prepared on a basis which is consistent with the principles set forth for the first three (3) Financial Years of the Long Range Plan.
- (b) No later than forty-five (45) days prior to the beginning of each Financial Year, the Management Team, in accordance with guidelines and instructions issued from time to time by the CEO, shall submit a draft Business Plan for the Company with respect to its activities for the next three (3) Financial Years to the Board of Managers for their consideration and approval, which shall include a preliminary forecast of operating expenses, income, capital expenditures, cash-

flows, headcount, operational activities and sources of funding proposed to meet the Company's anticipated operational and capital requirements during such period. The draft Business Plan shall also include the anticipated IK Manufactured Rig purchases for such period, together with estimates of any Commitment Amounts which may be required to be drawn down by the Company in the first Financial Year of the draft Business Plan, in accordance with clause 5.1.

9.3 Default Business Plan

- (a) If, as a result of any circumstance (including a Deadlock Event), the preparation, submission and eventual approval and adoption by the Shareholders of the Company's Business Plan does not occur before the start of the relevant Financial Year, the Company shall continue to be operated on the basis set forth in the Business Plan (or, in the event of the third Financial Year of the Business Plan, for the previous Financial Year); provided that, other than with respect to the acquisition of IK Manufactured Rigs which shall continue to be acquired in accordance with the provisions of clause 5.1 and Schedule 5, any capital expenditures that are not Maintenance Capex shall be reduced to [**].
- (b) For the avoidance of doubt, the inability of the Shareholders to reach an agreement with respect to the approval or modification of a proposed Business Plan shall not constitute or result in a Deadlock Event, and the Company shall operate, subject to clause 9.3(a), on the basis of the Business Plan (or, in the event of the third Financial Year of the Business Plan, for the previous Financial Year) until the approval of a proposed Business Plan by the Shareholders. Once a proposed Business Plan is approved and adopted by the Shareholders, following the resolution of the impeding circumstances referred to in clause 9.3(a), the Business Plan in respect of the previous Financial Year shall cease to have any effect and shall no longer be implemented.

10. DEADLOCK

10.1 Deadlock

Subject to clauses 5.1 and 9.3(b), a **Deadlock Event** occurs if:

- (a) (i) there is an inability or refusal of the Board of Managers to reach an agreement with respect to any Board Reserved Matters confided to it for decision at a duly convened Board of Managers' meeting; (ii) upon referral to a further Board of Managers' meeting (which must be called within twenty-one (21) days of the initial failure to agree) the Board of Managers fails to meet or again is unable or refuses to reach an agreement upon the relevant matter; and (iii) upon referral of such matter to a meeting of the General Assembly (to be held within fourteen (14) days of the later of the date of such second meeting of the Board of Managers or the expiration of such twenty-one (21) day period), the General Assembly fails to meet or is unable or fails to reach agreement with respect to such matter;
- (b) following the referral of any Board Reserved Matter to the General Assembly in accordance with clause 6.3(b), the General Assembly fails to meet or is unable or fails to reach agreement with respect to such matter;
- (c) a duly constituted General Assembly is unable or fails to reach agreement with respect to any Shareholders' Reserved Matter specified in clause 7.3, such matter having been referred to the General Assembly on at least two (2) occasions in any two (2) month period; or
- (d) there is no quorum at three (3) consecutive meetings of the General Assembly.

10.2 Effect of Deadlock

- (a) If a Deadlock Event occurs and is not resolved by the Shareholders despite best efforts to reach agreement within one hundred and twenty (120) days after the date on which the Deadlock Event occurs, then each Shareholder or the Board of Managers may request that such matter be immediately submitted to the chief executive officers or equivalent senior officers of each Shareholder or the Shareholders' representatives (including any representatives from their respective Affiliates) specifically designated for the purpose of resolving the Deadlock Event (the **Deadlock Committee**). Such request shall be in writing and shall be accompanied by the requesting Shareholder's or Board of Managers' statement of the matter and its position with respect thereto, including, if applicable, reasons and analytical support as to why the Deadlock Event has or will have a Substantial Project Impairment. The other Shareholder (or in the case that the Board of Managers is the requesting party, each of the Shareholders) shall have the right to submit to such Deadlock Committee its own written statement on the matter and its position with respect thereto, and shall do the same within thirty (30) days of such request. Each such request or statement shall be contemporaneously copied to the other Shareholder (or in the case of a request or statement submitted by the Board of Managers, each of the Shareholders) and/or the Company (as applicable).
- (b) If a Deadlock Event is not resolved by the Deadlock Committee within one hundred twenty (120) days of the submission of such matter to the Deadlock Committee and such matter is having, or is reasonably expected to have within the following one hundred eighty (180) days, a Substantial Project Impairment, then at any time thereafter, and provided such Deadlock Event is continuing:
- (i) Saudi Aramco, provided that it is not a Defaulting Shareholder, shall have an option to purchase all (but not some only) of the Shareholder Instruments held by Rowan in accordance with the provisions of clause 16.8; and
 - (ii) Rowan, provided that it is not a Defaulting Shareholder, shall have an option to sell and/or cause the sale of all (but not some only) of the Shareholder Instruments held by Rowan to Saudi Aramco (or its nominee) in accordance with the provisions of clause 16.9.
- (c) If a Deadlock Event is resolved by the Shareholders or the Deadlock Committee in accordance with clause 10.2(a), the Shareholders and the Company shall be bound to give effect to the agreement reached between the Shareholders or the Deadlock Committee (as applicable), in respect of such matter.
- (d) If a Deadlock Event continues to exist: (i) without any Shareholder referring the matter to the Deadlock Committee; (ii) without any resolution of such Deadlock Event by the Shareholders or the Deadlock Committee; or (iii) without any Shareholder issuing a Call Notice or Put Notice in accordance with this clause 10.2 and clauses 16.8 and 16.9 (as applicable), in each case by the date which is one hundred and fifty (150) days after the submission of the relevant matter to the Deadlock Committee (or, in the case of (i), one hundred and fifty (150) days after the after the date on which the Deadlock Event occurs), the Deadlock Event and any Call Options or Put Options (as applicable) shall be deemed to have lapsed, no action will be taken with respect to such matter and the status quo shall be maintained in respect of the operations of the Company affected thereby.

11. FINANCIAL REPORTING, BOOKS AND RECORDS, AUDIT RIGHTS, TAXES, EXTERNAL AUDITOR

11.1 Books and Records

- (a) The Shareholders shall cause the Company to maintain, or cause to be maintained, books and records in accordance with Applicable Law at its Head Office including, without limitation, the following:
 - (i) books of account of the Company, which shall be prepared and maintained in accordance with international financial reporting standards (**IFRS**) as adopted by the European Union, U.S. GAAP and applicable requirements of the Sarbanes-Oxley Act of 2002 (**SOX**) and the standards of the Saudi Organization for Certified Public Accountants (**SOCPA**), and applicable Saudi legal and regulatory requirements and the Accounting Policy;
 - (ii) unaudited Financial Statements, prepared in the Arabic and English languages, with figures expressed in U.S. Dollars and Saudi Riyals on a quarterly basis;
 - (iii) audited annual Financial Statements, prepared in the Arabic and English languages, with figures expressed in U.S. Dollars and Saudi Riyals in accordance with IFRS, the standards of SOCPA, applicable Saudi legal and regulatory requirements and the Accounting Policy, and certified by a recognized licensed accountancy firm that shall be appointed annually by the General Assembly upon the recommendation of the Audit Committee and the Board of Managers; and
 - (iv) a copy of this Agreement, together with all other records necessary, convenient or incidental to the Business.
- (b) To facilitate the timely preparation of audited and unaudited Financial Statements, all books of account and records of the Company shall be closed as promptly as possible after 31 December of each Financial Year.
- (c) The Company shall also issue Financial Statements prepared in accordance with U.S. GAAP on a monthly, quarterly and annual basis.

11.2 Reports; Zakat and Tax Returns

- (a) The Shareholders shall cause the Company to perform, or cause to be performed: (i) a quarterly review of the books and accounts of the Company; and (ii) an annual review of the books and accounts of the Company at the end of each Financial Year, in each case in accordance with the Accounting Policy. Not later than thirty (30) days after the end of each quarter and forty-five (45) days after the end of each Financial Year, the Company shall prepare and distribute to each Shareholder an unaudited balance sheet, an unaudited income statement and a statement of changes in financial position showing the results of operations for such relevant quarter or Financial Year (collectively, the **Financial Statements**) prepared in accordance with the Accounting Policy.
- (b) The Shareholders shall cause the Company to prepare, or cause to be prepared, in accordance with Applicable Law and the Accounting Policy, all income, Zakat and other tax returns of the Company, and shall cause the same to be filed with the GAZT in a timely manner. In addition,

the Company shall take or cause to be taken any other action required to cause the Company to be in compliance with Applicable Law in relation to tax and accounting matters. The Company shall provide the Shareholders with copies of the draft annual tax returns with respect to the corporate income tax of the Kingdom payable by non-Saudi Shareholders (the CIT), translated into English, for review and comment at least thirty (30) days prior to the scheduled filing thereof. Within fourteen (14) days after the filing thereof, the Company shall provide the Shareholders with a copy of all the appropriate annual Zakat and tax returns filed with the GAZT and, promptly after receipt thereof, the relevant tax receipts.

- (c) The Shareholders shall cause the Company to furnish the Shareholders with quarterly reports concerning the Business and activities of the Company to advise the Shareholders of the operational and financial performance of the Company.

11.3 External Auditor

The Board of Managers shall select and the Shareholders shall approve and appoint an internationally recognized accounting firm as the Company's independent external auditor (the **External Auditor**) in accordance with the Articles of Association and based on arm's length competitive and commercial considerations and clause 7.3(f). The External Auditor shall be independent of each Shareholder; provided that, for the avoidance of doubt, no auditor appointed in a non-audit capacity by a Shareholder shall be deemed to be not independent for the purposes of this clause 11.3 as a result of such appointment. The External Auditor shall perform such functions as it is required to perform by Applicable Law or directed to perform by the General Assembly. The Senior Officers shall cooperate with the External Auditor and facilitate the External Auditor's performance of its duties. The Senior Officers and the Board of Managers shall allow the External Auditor to perform its duties without trying to influence the manner of such performance.

11.4 Inspection of the Company's Records

Each Shareholder shall have the right, at all reasonable times during usual business hours, to audit, examine and make or request and obtain copies of, or extracts from, the books of account and other financial records of the Company at its Head Office; provided that all information obtained from such examination shall be deemed to be Confidential Information subject to the provisions of clause 18. Such right may be exercised through any employee of a Shareholder or its Affiliate designated by such Shareholder or by an independent certified public accountant that is licensed in the Kingdom or other representative designated by such Shareholder. Each Shareholder shall bear all expenses incurred in any examination made for such Shareholder's account. In the exercise of their rights under this clause 11.4, the Shareholders agree that they shall not cause any unreasonable interference with or disruption of the Company's Business or operations and that any such audit shall be commenced within five (5) Years of the close of the Year to which such inspection relates; provided, however, that such time limit shall not prejudice the right of a Shareholder to conduct an audit after such five (5) Year period if such audit is required to finally resolve a Dispute pursuant to the Dispute Resolution Procedures. To the extent possible, the Shareholders shall endeavor to coordinate among themselves and to conduct joint reviews and audits in order to avoid any unreasonable interruption of the Company's Business and operations. The expenses of such joint audits shall be allocated between the Shareholders according to their respective Ownership Interests.

11.5 Adjustment of the Company's Records

The Shareholders shall cause the Company to promptly rectify any errors or omissions in the Company's records that are discovered by the Shareholders.

11.6 Taxes

- (a) The Shareholders shall ensure that all necessary steps will be taken to cause the Company to be regarded as a tax resident in the Kingdom. This will include the location and exercise of central control or management of the Company from within the Kingdom.
- (b) Notwithstanding any other provision of this Agreement, the Company shall withhold and pay, and each Shareholder hereby authorizes the Company to withhold and pay, all withholding or other Taxes required under Applicable Law to be withheld and paid, whether arising from an obligation of the Company or of each of the Shareholders, unless otherwise agreed in writing by the Company and the Shareholders.
- (c) The tax liabilities of each Shareholder in respect of its Ownership Interest in the Company shall be borne by such Shareholder and not by the Company.

12. POLICIES OF THE COMPANY

12.1 General Policies

To ensure that the Company is conducting its Business and operations in a manner that, among other things: (a) is consistent with the Shareholders' objectives of the Company and the highest ethical standards; (b) ensures the maintenance of best practices that create a safe environment; (c) complies with international industry standards and all Applicable Law; and (d) implements good corporate governance and sound corporate social responsibility, it is hereby specifically agreed that the Shareholders shall cause the Board of Managers, from time to time, to design, adopt and implement such comprehensive and robust compliance and internal policies, controls and procedures meeting, at a minimum, all relevant regulations and international standards for the mitigation of compliance risks, including the policies described in this clause 12. From time to time, and as may be necessary, the Board of Managers may amend, alter or add to such policies.

12.2 Accounting and Internal Control Policy

The Board of Managers shall, from time to time, ensure promulgation of the following, in each case in accordance with Applicable Law, including IFRS, SOX and the standards of SOCPA, as applicable:

- (a) accounting and document retention policy of the Company which shall govern the maintenance of books and records;
- (b) preparation of Financial Statements policy so that accounting and financial records and reports are prepared in the Arabic and English languages, with figures expressed in U.S. Dollars and Saudi Riyals in accordance with IFRS, the standards of SOCPA, applicable Saudi legal and regulatory requirements, and certified by a recognized licensed accountancy firm that shall be appointed annually by the General Assembly upon the recommendation of the Audit Committee and the Board of Managers and any other reporting commitments to external parties;
- (c) accounts receivable write-off policy;
- (d) internal control system ensuring that all transactions are complete, accurate, timely, in compliance with the Company's policies and authorized by the Board of Managers;

- (e) additional written policies and procedures reflecting the latest thinking and best practices in governing finance, contracting, purchasing and other primary operational and administrative functions;
- (f) the establishment of an internal audit function reporting directly to the Board of Managers for the purpose of reporting audit findings; and
- (g) any other related matters,

(the **Accounting Policy**).

12.3 Dividend Policy

The Company (and the Shareholders) shall, to the extent permitted by Applicable Law and subject to the Company's cash requirements, distribute dividends to the Shareholders in a manner that is consistent with the Dividend Policy of the Company, attached hereto as Schedule 10.

12.4 Local Content

The Shareholders shall cause the Company to aim to maximize the engagement and utilization of Saudi contractors, material suppliers and employees in a manner that is consistent with the Maximization of Local Content Policy of the Company as set forth in Schedule 11.

13. WARRANTIES

On the Effective Date, each of the Shareholders hereby warrants to the other Shareholder as follows:

- (a) it is duly organized, validly existing and in good standing under the respective laws of the jurisdiction in which it is organized and that it is not confronting any current or threatened bankruptcy, insolvency, guardianship or like process;
- (b) it has all requisite power and authority to enter into this Agreement and the Transaction Agreements to which it is a party and to perform the obligations contemplated thereby, and the execution and delivery of this Agreement and the Transaction Agreements to which it is a party and the performance thereof have been duly authorized by all necessary action on the part of such Shareholder;
- (c) neither the execution and delivery of this Agreement and the Transaction Agreements to which it is a party nor the performance thereof will violate, conflict with or result in a breach of any law or provision of such Shareholder's constitutional or organizational documents or any agreement, document or instrument to which it is subject or by which it or its assets are bound or require the consent or approval (if not already obtained) of any shareholder, partner, equity holder, holder of indebtedness or other Person or entity, or contravene or result in a breach of or default under, or the creation of, any Encumbrance upon any property under any constitutive document, indenture, mortgage, loan agreement, lease or other agreement, document or instrument to which that Shareholder is a party; and
- (d) any required authorizations of and exemptions, actions or approvals by, and any required notices to or filings with, any Governmental Entity that are required to have been obtained or made by such Shareholder in connection with the execution and delivery of this Agreement and the Transaction Agreements to which it is a party or the performance by it of its obligations

thereunder will have been obtained or made and will be in full force and effect, and all conditions of any such authorizations, exemptions, actions or approvals will have been satisfied.

14. COMMERCIAL MATTERS

14.1 Services and secondments

- (a) Each Shareholder shall, or shall procure that its Affiliates shall, provide to the Company any, or any combination, of the transitional, technical and/or other services agreed pursuant to the Services Agreement, or otherwise as agreed in writing from time to time to enable the provision of best-in-class offshore drilling services by the Company on an independent, stand-alone basis.
- (b) Rowan represents, warrants and undertakes that it has disclosed and shall provide pursuant to the Services Agreement, all types of substantial services that, as at Completion, are provided to any of Rowan's operating Affiliates in the Kingdom.
- (c) Rowan shall procure that its Affiliates provide the Company, on an employment or secondment basis, with such of their key employees as are needed for the Company to provide best-in-class drilling services on an independent, stand-alone basis, in accordance with the Secondment Agreements or otherwise as agreed in writing from time to time.
- (d) The Shareholders will cause the Company to enter into the Services Agreement in accordance with paragraph 3.2 of Schedule 2.
- (e) Subject to appropriate confidentiality restrictions, Rowan shall, or shall procure that one (1) or more of its Affiliates shall, provide support to the IK Manufacturing JV using Rowan's experience with rig construction sites in an effort to increase the functionality and efficiency of the manufacturing facility, the construction processes and the rig design (such services to be provided at cost under the Services Agreement and in accordance with an agreed statement of work).

14.2 Materials and Intellectual Property

- (a) Each Shareholder shall, or shall procure that its Affiliates shall, grant rights under Intellectual Property to the Company to use certain Materials (including, in the case of the Rowan Intellectual Property License, the Rowan Background Materials and, in the case of the SA Intellectual Property License, the SA Background Materials) on the terms and conditions as set forth in their respective License Agreements and as otherwise agreed from time to time.
- (b) The Shareholders will cause the Company to enter into the License Agreements in accordance with paragraph 3.2 of Schedule 2, or otherwise as agreed in writing from time to time in relation to any Shareholder's Intellectual Property rights needed by the Company.

14.3 IK Manufacturing JV

The provisions of Schedule 5 shall apply.

15. EVENTS OF DEFAULT

15.1 Events of Default

The following shall constitute events of default (each an **Event of Default**) under this Agreement:

- (a) failure of a Shareholder to comply with its obligations under paragraph 4.1 of Schedule 2;
- (b) failure of a Shareholder to contribute, advance and/or subscribe and pay for (as applicable) any Shareholder Injections in accordance with a Funding Notice, to the extent: (i) such Funding Notice related to part of that Shareholder's Commitment Amount; or (ii) the Shareholder voted in favor of a resolution in respect of the funding the subject of that Funding Notice in accordance with clause 7.3(d);
- (c) a Shareholder causing the General Assembly to not, or to be unable to, resolve to increase the Authorized Capital, or failing to make any Shareholder Injections, in circumstances set forth in clause 5.5;
- (d) a purported Transfer by a Shareholder made in violation of the terms and conditions set forth herein or a failure by a Shareholder to comply with its obligations under clause 16.1(f);
- (e) an Insolvency Event occurs in respect of the Shareholder;
- (f) failure of all Rowan Board Managers or all Saudi Aramco Board Managers to attend two (2) consecutive meetings of the Board of Managers or three (3) meetings of the Board of Managers during any twelve-month period;
- (g) a Shareholder being subject to a Change of Control without giving notice under clause 16.4;
- (h) a material breach by Rowan Companies plc under the Rowan Guarantee prior to the date on which Rowan's Commitment Amount has been reduced to zero, the Rowan Guarantee is not or ceases to be in full force and effect or any Insolvency Event occurs in relation to Rowan Companies plc;
- (i) failure of a Shareholder to provide any Support Obligation in connection with any Third Party debt financing which has been approved by a resolution of the General Assembly passed in accordance with the Articles of Association and clause 7.3;
- (j) material failure of a Shareholder or any of its Affiliates to comply with its obligations under Schedule 5;
- (k) failure of a Shareholder or any of its Affiliates to: (i) contribute Rigs to the Company or pay to the Company their respective value; (ii) issue any promissory note; or (iii) pay any liquidated damages, in each case in accordance with the relevant Asset Transfer and Contribution Agreement; and
- (l) a material failure of a Shareholder to comply with the requirements of SAGIA, MOCI, the Bank or the notary public in connection with any increase of the Authorized Capital and amendment of the Articles of Associations to reflect any Capital Contributions made by one or more Shareholders in accordance with, or pursuant to, the terms of this Agreement,

provided that an Event of Default described in clauses 15.1(a), 15.1(b), 15.1(c), 15.1(j) or 15.1(k) shall, to the extent such Event of Default relates to a failure to make a Capital Contribution or any other payment, be deemed to have been remedied if (i) the relevant payment is subsequently made or the relevant assets are subsequently contributed (as applicable) by or on behalf of the relevant Shareholder (including, in the case of Rowan, by Rowan Companies plc in accordance with the Rowan Guarantee) within ninety (90) days of the date of the Default Notice; or (ii) the relevant Shareholder

pays an amount equal to the Shortfall Amount to the Contributing Shareholder in accordance with clause 5.4(d)(iv).

15.2 Notice of Events of Default

If an Event of Default occurs in respect of a Shareholder (the **Defaulting Shareholder**), the Defaulting Shareholder shall immediately notify the other Shareholder (the **Non-Defaulting Shareholder**) and the Company by delivery of a Notice (a **Default Notice**) of the occurrence of such Event of Default, setting forth a description of such Event of Default and any action it proposes to take in response to the Event of Default, provided that, if the Defaulting Shareholder has not issued a Default Notice as soon as reasonably practicable after an Event of Default has occurred and become known to it, the Company or the Non-Defaulting Shareholder (if it is aware of such Event of Default) shall issue a Default Notice. Following the issue of a Default Notice, the Shareholders shall immediately commence good faith discussions to seek to remedy (if remediable) such Event of Default.

15.3 Consequences of Events of Default

- (a) Notwithstanding any other provision of this Agreement, if a Default Notice is issued, then, for so long as such Event of Default is continuing in respect of a Defaulting Shareholder:
- (i) the Defaulting Shareholder shall not be required, notwithstanding any other provision of this Agreement, for the quorum at any General Assembly (other than a General Assembly that will vote on matters set forth in clause 7.4), and the approval requirements of clause 7.3 shall not apply to any Shareholders' Reserved Matter to be considered by the General Assembly;
 - (ii) any members of the Board of Managers nominated by that Defaulting Shareholder shall not be required, notwithstanding any other provision of this Agreement, for the quorum at any meeting of the Board of Managers and the approval requirements of clause 6.6(b) shall not apply to any Board Reserved Matter to be considered by the Board of Managers, and such matters shall be adopted by the Board of Managers by the approval of a simple majority;
 - (iii) at any Board of Managers' meeting, if the Defaulting Shareholder is Saudi Aramco, the CEO (or, if the CEO is not appointed by Rowan at the time of such meeting, a Rowan appointee) shall have a casting vote, or if the Defaulting Shareholder is Rowan, the Chairman shall have a casting vote, in each case in addition to any vote the CEO (or such appointee) or Chairman, as applicable, may have in his or her capacity as a Board Manager; and
 - (iv) the Defaulting Shareholder shall not be entitled to payment of any dividends approved by the General Assembly. The Defaulting Shareholder's share of any dividends declared after the issue of a Default Notice, and for so long as such Event of Default is continuing, shall be retained by the Company and released:
 - (A) to the Defaulting Shareholder, if the applicable Event of Default has been remedied within ninety (90) days of the date of the relevant Default Notice, and such Shareholder has ceased being a Defaulting Shareholder; or

- (B) to the Non-Defaulting Shareholder, if such Non-Defaulting Shareholder has exercised its Call Option or Put Option, as applicable, as set forth in clauses 15.3(c), 16.8 and 16.9 (as applicable).
- (b) Notwithstanding any other provision of this Agreement, following the issue of a Default Notice and for so long as an Event of Default is continuing in respect of a Defaulting Shareholder, no Transfer of the Defaulting Shareholder's Shareholder Instruments may take place other than in accordance with clauses 15.3(c), 16.8 and 16.9 (as applicable).
- (c) If, following the issue of a Default Notice, there is a continuing Event of Default which is not remediable or, if remediable, has not been remedied within ninety (90) days of the date of the Default Notice (provided that an Insolvency Event in respect of any Shareholder or Rowan Companies plc shall be deemed incapable of remedy), then, for so long as the applicable Event of Default is continuing:
- (i) in the case of an Event of Default in respect of Rowan, Saudi Aramco shall have an option to purchase all (but not some only) of the Shareholder Instruments held by Rowan in accordance with the provisions of clause 16.8; and
 - (ii) if the case of an Event of Default in respect of Saudi Aramco, Rowan shall have an option to sell all (but not some only) of the Shareholder Instruments held by Rowan to Saudi Aramco in accordance with the provisions of clause 16.9,

provided that if a Call Notice or Put Notice (as applicable) is not issued in accordance with this clause 15.3(c) and clause 16.8 or 16.9 (as applicable) within one hundred and fifty (150) days of the Default Notice being given or received (as applicable), the Event of Default shall be deemed to have been remedied.

16. TRANSFER AND EXIT PROVISIONS

16.1 Restrictions on Transfer

- (a) Except as otherwise permitted in this Agreement, a Shareholder may not effect a transfer, assignment or other disposal (a **Transfer**) of all or any portion of its Shareholder Instruments or any direct or indirect rights or interests therein.
- (b) Notwithstanding anything contained in this Agreement or the Articles of Association but subject to clause 16.2, each Shareholder agrees that it will not, without the prior written consent of the other Shareholder, Transfer all or any portion of its Shareholder Instruments or any direct or indirect rights or interests therein within a period of ten (10) Years from the Project Operations Date.
- (c) No Transfer of any class of Shareholder Instruments shall be permitted unless the transferring Shareholder also Transfers a commensurate portion of each other class of Shareholder Instruments held by it to the same transferee at the same time.
- (d) The price payable for the Transfer of any Subordinated Shareholder Loans to another Shareholder pursuant to or as required under this Agreement shall be the Face Value, except where such Transfer arises from the exercise of an option under clause 15.3, in which case the price payable for the Subordinated Shareholder Loans shall be equal to the Default Price or Default Put Price, as applicable. [**]

- (e) Except as otherwise permitted in this Agreement, any Transfer or purported Transfer of all or any portion of any Shareholder Instruments or any direct or indirect rights or interests therein in violation of the restrictions set forth in this clause 16.1 or any other restriction on Transfers contained in this Agreement shall constitute a violation of this Agreement. In addition to any remedy that is available under this Agreement or Applicable Law, each Shareholder will have the right to force a Shareholder who violates this clause 16 to rescind the transaction, including by repurchasing the Transferred Shareholder Instruments.
- (f) A Shareholder may not create or permit to subsist any Encumbrance on or affecting any of its Shareholder Instruments except with the consent of the other Shareholder. Any purported creation or granting of an Encumbrance on or affecting a Shareholder's Shareholder Instruments in contravention of this clause 16.1 shall constitute an Event of Default and in any event shall be of no effect and accordingly the Company and the other Shareholder(s) shall not be bound to recognize or give effect to any such purported Encumbrance.

16.2 Permitted Transfers

The restrictions on Transfers set forth in clause 16.1(b) shall not apply to a Transfer of all or any portion of the Shareholder Instruments of a Shareholder:

- (a) to a Qualifying Affiliate in accordance with clause 16.3; or
- (b) made in accordance with the provisions of clause 4.2(c)(ii), 4.2(c)(iii), 5.4(d)(iv), 10.2, 15.3, 16.4, 16.8 and/or 16.9.

16.3 Qualifying Affiliates

- (a) A Shareholder (a **Transferor**) may, at any time, transfer or assign all or a portion of its Shareholder Instruments to a Qualifying Affiliate thereof (a **Transferee**), provided that such Transferee shall first adhere to this Agreement by executing an Agreement of SHA Adherence, and such Transferor shall be fully liable for the payment and performance obligations of such Transferee under this Agreement pursuant to a guarantee, indemnity and/or undertaking in respect of the same to be provided by such Transferor in a form acceptable to the other Shareholder (acting reasonably).
- (b) In the event that any such Transferee will cease or ceases to be a Qualifying Affiliate of the Transferor, the Transferor shall promptly inform the other Shareholder and shall take all necessary measures to ensure that the Shareholder Instruments vested in such Transferee are immediately transferred back to such Transferor or to a Qualifying Affiliate thereof (in the latter case, on the same terms as described in this clause 16.3).

16.4 Change of Control

Notwithstanding any provisions of this Agreement to the contrary, should a Shareholder become aware that there has been or may be a sale or transfer of its Ultimate Holding Company or another event that would result in a Change of Control in respect of it, such Shareholder (the **Acquired Shareholder**) shall promptly notify the other Shareholder of the Change of Control or possible Change of Control, specifying, to the extent possible, the identity of the party causing such Change of Control. Following the receipt of such Notice:

- (a) the other Shareholder may consent to such Change of Control or possible Change of Control (and if such other Shareholder does not exercise its rights in accordance with clause 16.4(b) or 16.4(c), as applicable, within the time period specified in that clause, such other Shareholder shall be deemed to have consented to such Change of Control);
- (b) if Rowan is the Acquired Shareholder, Saudi Aramco may, at any time during the sixty (60) day period following Notice of such Change of Control, notify Rowan that it is electing to exercise an option to purchase all (but not some only) of the Shareholder Instruments held by Rowan in accordance with the provisions of clause 16.8, provided that if the Notice is in respect of a possible Change of Control, the Shareholders shall initiate determination of Fair Price following Notice of such election, but Saudi Aramco shall not have the right to effect the purchase unless and until such Change of Control has occurred; or
- (c) if Saudi Aramco is the Acquired Shareholder, Rowan may, at any time during the sixty (60) day period following Notice of such Change of Control, exercise an option to sell all (but not some only) of the Shareholder Instruments held by Rowan to Saudi Aramco in accordance with the provisions of clause 16.9, provided that if the Notice is in respect of a possible Change of Control, the Shareholders shall initiate determination of Fair Price following Notice of such election, but Rowan shall not have the right to effect the sale unless and until such Change of Control has occurred.

16.5 Third Party Transfers

- (a) A Shareholder may Transfer all (but not part only) of its Shareholder Instruments to a Third Party that is licensed to operate in the Kingdom, provided that clause 16.5(b) shall first apply, and provided further that:
 - (i) such Third Party shall adhere to this Agreement as a Shareholder by executing an Agreement of SHA Adherence and this Agreement shall be amended to the extent necessary to reflect the admission of such Third Party in place of the transferring Shareholder;
 - (ii) the transferring Shareholder shall notify the other Shareholder in writing of the Transaction Agreements (other than this Agreement), if any, under which such Third Party shall assume rights, powers, benefits and/or obligations as a result of such sale (the **Relevant Transaction Agreements**) and, subject to clause 16.7, to the extent applicable, the relevant share of rights and obligations to be transferred to such Third Party under the Relevant Transaction Agreements; provided, that the transferring Shareholder may elect to renegotiate the terms of the Relevant Transaction Agreements on an arm's length basis; and
 - (iii) as a condition to such sale, such Third Party has complied with clause 16.7 (if applicable) and delivered such other documents and agreements as shall be reasonably requested by each of the Shareholders and the Company to confirm such transferee's admission as a Shareholder and its agreement to be bound by and to assume the obligations of a Shareholder, consistent with the terms of this Agreement, the Transaction Agreements and any current financing agreement and any other relevant agreements in connection with the Business.

Notwithstanding any other provision of this Agreement, a Shareholder that wishes to Transfer its Shareholder Instruments in accordance with this clause 16.5 must Transfer all of its Shareholder Instruments to a single Third Party.

- (b) A Shareholder (a **Vendor**) who wishes to Transfer and/or cause the Transfer of all (but not part only) of the Shareholder Instruments held by it to a Third Party licensed to operate in the Kingdom shall first comply with the provisions of this clause 16.5(b):
- (i) the Vendor shall deliver a Notice (the **Transfer Notice**) to the other Shareholder (the **Purchaser**) of its desire to Transfer, and/or cause the Transfer of, all of the Shareholder Instruments held by it (the **Pre-Emption Ownership Interest**);
 - (ii) the Transfer Notice shall specify: (A) the identity of the proposed Third Party transferee; (B) the price (which must be cash) offered or proposed for the Pre-Emption Ownership Interest and the associated rights, powers, benefits and/or obligations under the Relevant Transaction Agreements to be transferred by the Vendor to such proposed Third Party or the other Shareholder (the **Pre-Emption Price**); (C) the terms and conditions of such proposed sale and transfer (the **Pre-Emption Sale Conditions**); and (D) that, subject to the provisions of this Agreement, the Transfer Notice constitutes an offer by the Vendor to sell to the Purchaser the Pre-Emption Ownership Interest at the Pre-Emption Price and on the Pre-Emption Sale Conditions;
 - (iii) if, within sixty (60) days of receipt of the Transfer Notice (the **Pre-Emption Period**), the Purchaser delivers a Notice to the Vendor (a **Pre-Emption Notice**) that it intends to exercise its pre-emption right under this clause 16.5(b) and purchase the Pre-Emption Ownership Interest and the associated rights, powers, benefits and/or obligations under the Transaction Agreements to be transferred at the Pre-Emption Price, the Vendor shall enter into such documentation as the Purchaser may reasonably require in order to effect such sale and purchase at the Pre-Emption Price on substantially the same terms and conditions as the Pre-Emption Sale Conditions within sixty (60) days;
 - (iv) if the Purchaser does not deliver a Pre-Emption Notice to the Vendor within sixty (60) days of receipt of the Transfer Notice or delivers a Notice to the Vendor that it does not intend to exercise its pre-emption right under this clause 16.5(b), the Vendor may sell, and/or cause the sale of, the Pre-Emption Ownership Interest to the proposed Third Party at a price no less than the Pre-Emption Price on substantially the same terms and conditions as the Pre-Emption Sale Conditions, provided that if the Vendor has not completed the sale of the Pre-Emption Ownership Interest to such proposed Third Party within one hundred and eighty (180) days (as extended to reflect any regulatory approval or tolling periods) of the end of the Pre-Emption Period, such sale shall again be subject to the pre-emption procedure set forth in this clause 16.5(b); and
 - (v) notwithstanding clauses 16.5(b)(iii) and 16.5(b)(iv), if the Vendor is Rowan: (A) the Shareholders must, following the issue by Rowan of a Pre-Emption Notice, procure the determination of the Fair Price; (B) the Pre-Emption Period shall be extended and shall continue until ninety (90) days after the determination of the Fair Price; and (C) if the Pre-Emption Price is greater than the Fair Price, Saudi Aramco may exercise the pre-emption right and purchase the Pre-Emption Ownership Interest and the associated rights, powers, benefits and/or obligations at a price equal to the Fair Price.

16.6 Transfer of Rights and Obligations under this Agreement

In the event of a sale, transfer or assignment by a Shareholder in accordance with clause 16.2, the other Shareholder shall, and shall cause the Company to, use best efforts to promptly (and at their own respective cost) take all such actions as are necessary to be taken by them to effect such sale, transfer or assignment, including all acts required to render such transfer legally valid and enforceable under Applicable Law.

16.7 Transfer of Rights and Obligations under Other Agreements

In the event of a Transfer by Rowan to Saudi Aramco or a Third Party of Rowan's Shareholder Instruments, Rowan undertakes to assist the Company by providing transition services for a reasonable period to be agreed at full market value while providing the Company with reasonable assistance and cooperation in putting in place alternative arrangements for the services Rowan has been providing to the Company, and Saudi Aramco and its Affiliates shall, and shall use their best efforts to cause the Company to, promptly put such alternative arrangements in place (including by amending the Transaction Agreements to provide for Rowan to continue providing services at full market value) and take all other steps necessary to ensure that the Business and the Company can continue uninterrupted upon Rowan's exit.

16.8 Terms of Call Option

- (a) Where a Shareholder (the **Option Holder**) has an option under clause 4.2(c)(iii), 10.2(b)(i), 15.3(c)(i), or 16.4(b) (**Call Option**) to purchase all (and not some only) of the Shareholder Instruments (**Call Instruments**) held by the other Shareholder (the **Grantor**), the Option Holder may exercise the Call Option by issuing a Notice (a **Call Notice**) to the Grantor and the Company.
- (b) Following the issue of a Call Notice, the Shareholders must procure the determination of the Fair Price.
- (c) On the date which is thirty (30) days after the date the Fair Price is determined (or such other date as Saudi Aramco and Rowan may agree):
 - (i) the Grantor must sell free from all Encumbrances and with all rights attached to such Call Instruments as at the date of the Call Notice (including all rights to any interest payments, dividends or other distributions in each case declared, paid or made after the date of any such Call Notice), and the Option Holder (or its nominee) must purchase, the Call Instruments; and
 - (ii) the Option Holder must pay to the Grantor the aggregate price payable for the Call Instruments, being an amount equal to:
 - (A) if the Call Option is granted under clause 4.2(c)(ii), 4.2(c)(iii), 10.2(b)(i) or 16.4(b), the Fair Price in respect of the Call Instruments; or
 - (B) if the Call Option is granted under clause 15.3(c)(i), the Default Price in respect of the Call Instruments
 in each case less any interest payments, dividends or other distributions declared and actually paid or made to, the Grantor after the date of the Call Notice.

- (d) Each Shareholder shall enter into such documentation as the other Shareholder may reasonably require in order to effect such Call Option (to the extent not already entered into prior to such date).

16.9 Terms of Put Option

- (a) Where Rowan has an option under clause 10.2(b)(ii), 15.3(c)(ii), 16.4(c) or paragraph 3.3(b) of Schedule 4 (**Put Option**) to sell and/or cause the sale of all (and not some only) of the Shareholder Instruments held by Rowan (**Put Instruments**), Rowan may exercise the Put Option by issuing a Notice (a **Put Notice**) to Saudi Aramco and the Company.
- (b) Following the issue of a Put Notice, the Shareholders must procure the determination of the Fair Price.
- (c) On the date which thirty (30) days after the date the Fair Price is determined (or such other date as Saudi Aramco and Rowan may agree):
- (i) Rowan must sell free from all Encumbrances and with all rights attached to such Put Instruments as at the date of the Put Notice (including all rights to any interest payments, dividends or other distributions in each case declared, paid or made after the date of any such Put Notice), and Saudi Aramco (or its nominee) must purchase, the Put Instruments; and
- (ii) Saudi Aramco must pay to Rowan the aggregate price payable for the Put Instruments, being an amount equal to:
- (A) the Fair Price in respect of the Put Instruments if the Put Option is granted under clause 10.2(b)(ii), 16.4(c) or paragraph 3.3(b) of Schedule 4; or
- (B) the Default Put Price if the Put Option is granted under clause 15.3(c)(ii),
- in each case less any interest payments, dividends or other distributions declared and actually paid or made to, Rowan after the date of the Put Notice.
- (d) Each Shareholder shall enter into such documentation as the other Shareholder may reasonably require in order to effect such Put Option (to the extent not already entered into prior to such date).

16.10 Listing

If the Shareholders agree in accordance with clause 7.3 to a proposal to seek the listing of the Shares in the Company on any regulated investment exchange, each Shareholder shall:

- (a) pass all resolutions necessary to convert the Company to a joint stock company with a minimum of five (5) shareholders;
- (b) give such co-operation and assistance; and
- (c) exercise all such rights and powers in relation to the Company,

so as to ensure that the listing is achieved in a timely manner and in accordance with the agreed proposal and the then prevailing market conditions.

17. DISSOLUTION, WINDING-UP, TERMINATION AND SURVIVAL

17.1 Dissolution

The Shareholders shall dissolve and commence winding up the Company upon the first to occur of any of the following events (each a **Dissolution Event**):

- (a) on expiration of the Term of the Company as provided in clause 4.1, including any extension thereof, or, if earlier, upon expiration of the duration of the Term set forth in the Articles of Association, including any extension thereof;
- (b) as determined by the General Assembly in accordance with clause 5.4(a) or upon failure of the General Assembly to elect whether to continue or dissolve the Company in accordance with clause 5.4(b); or
- (c) as otherwise agreed by the Shareholders pursuant to clause 7.4(h).

17.2 Winding Up

Upon the occurrence of a Dissolution Event, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets and satisfying or making reasonable provision for the satisfaction of the claims of its creditors and the Shareholders, and no Shareholder shall take any action that is inconsistent with, unnecessary to or inappropriate for, the winding up of the Company's Business and affairs, provided that all covenants and obligations contained in this Agreement shall continue to be fully binding upon the Shareholders (unless otherwise specifically provided for in any of the other Transaction Agreements and subject to Applicable Law) until such time as the assets or property or the proceeds from the sale thereof have been distributed pursuant to the terms of this clause 17 and Applicable Law.

17.3 Liquidator

To enable the proper sale and distribution of the property and assets and the proceeds from any sale thereof, the General Assembly shall appoint any Person as liquidator of the Company (such Person, the **Liquidator**), subject to the following conditions and upon any other terms and further conditions as the General Assembly shall deem appropriate, including the powers and remuneration of such Liquidator. Subject to Applicable Law, the Liquidator shall:

- (a) prepare a statement setting forth the assets and liabilities of the Company as of the date of dissolution, a copy of which statement shall be furnished to all of the Shareholders no later than nine (9) months prior to the allocation, sale, distribution or payment of such assets or liabilities;
- (b) allocate property and assets of the Company in-kind to Saudi Aramco and cause an Independent Valuator to determine the Fair Price of such property and assets, for the purpose of determining Rowan's Ownership Interest share of such property and assets, Rowan's Ownership Interest share of such amount to be paid as compensation, in cash, to Rowan, as applicable, within one-hundred and eighty (180) days of such determination, in an orderly, business-like and commercially reasonable manner;
- (c) undertake the liquidation in the manner most likely to continue the Business after the liquidation and achieve the Shareholders' objectives;

- (d) to the extent consistent with clauses 17.3(b) and 17.3(c), apply and distribute the proceeds of any sale and all other assets owned by the Company as follows and in the following order of priority, subject to Applicable Law:
- (i) to the payment of the debts and liabilities of the Company and the expenses of liquidation or distribution, other than Subordinated Shareholder Loans or trade payables to the Shareholders or their Affiliates, unless any such debts and liabilities would be retained in connection with the continuation of the Business as a going concern;
 - (ii) to the payment of Subordinated Shareholder Loans and trade payables to the Shareholders or their Affiliates, provided that such debts and liabilities will be discharged on a pro rata basis based on the total amounts owed to the Shareholders (including their Affiliates);
 - (iii) to the setting up of any reserves which the Liquidator shall determine to be reasonably necessary for contingent, unliquidated or unforeseen liabilities or obligations of the Company. Such reserves may, in the discretion of the Liquidator, be held by the Liquidator or paid over to a bank or trust company selected by it, in either case to be held by the Liquidator or such bank or trust company as escrow holder or liquidating trustee for the purposes of disbursing such reserves to satisfy the liabilities and obligations described above. Such reserves shall be held for such period as the Liquidator shall deem advisable and, upon the expiration of such period, any remaining balance shall be distributed as provided in clause 17.4; and
 - (iv) subject to clause 17.3(b), the balance, if any, to the Shareholders, in accordance with their proportionate Ownership Interests.

17.4 Distribution Upon Dissolution of the Company

Subject to clause 17.3(b), the Company's assets or the proceeds from the sale thereof shall be applied and distributed by the Liquidator to the Shareholders, in accordance with their proportionate Ownership Interests, to the maximum extent permitted by, but subject to, Applicable Law.

17.5 Duration and Termination of this Agreement

- (a) This Agreement shall commence on the Effective Date and, unless terminated by the written agreement of the Shareholders, shall, following the Formation Date, continue for so long as two (2) or more Shareholders continue to hold Shares in the Company, but a Shareholder will cease to have any further rights or obligations under this Agreement on ceasing to hold any Shares, except in relation to those provisions which are expressed to continue in force and provided that this clause 17.5 shall not affect any of the rights or liabilities of any Shareholders in connection with any breach of this Agreement which may have occurred before that Shareholder ceased to hold any Shares.
- (b) This Agreement shall terminate: (i) upon completion of the dissolution, liquidation or winding-up of the Company pursuant to the provisions of this clause 17 or otherwise; or (ii) by unanimous written agreement of the Shareholders.

17.6 Survival

- (a) The termination of this Agreement for any reason shall not prejudice the rights or remedies which any Shareholder may have in respect of any breach of the terms of this Agreement prior to the date of termination.
- (b) Clauses 1, 17.6, 18, 19, 20, 22, 23, 24, 25.3, 25.12 and Schedule 9 shall continue in force after such termination.

18. CONFIDENTIAL INFORMATION

18.1 For the purposes of this clause 18, **Confidential Information** means all information of a confidential nature disclosed by whatever means by the Company or a Shareholder (the **Disclosing Party**) to the Company or the other Shareholder (in both cases the recipient of the information shall be the **Receiving Party**), whether prior to or following the Effective Date, and includes the provisions and subject matter of this Agreement as well as the other Transaction Agreements.

18.2 Each Shareholder undertakes to keep, and shall use best efforts to procure that each of its Affiliates and each Board Manager appointed by it shall keep, the Confidential Information confidential and not disclose it to any Person, other than as permitted under this clause 18 or use such Confidential Information other than for purposes contemplated by this Agreement.

18.3 Clause 18.2 shall not apply to the disclosure of Confidential Information if and to the extent:

- (a) required by Applicable Law or by any law or regulation of any country with jurisdiction over the affairs of the Receiving Party (or any Subsidiary of it);
- (b) required by the rules of any securities exchange on which securities of the Receiving Party or any of its Affiliates are listed;
- (c) required by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body;
- (d) that such information is in the public domain other than through breach of this clause 18; or
- (e) the Receiving Party can demonstrate to have already known the Confidential Information as of the date of disclosure by the Disclosing Party or to have subsequently and lawfully acquired it from a Third Party that has the right to disseminate such information,

provided that, in the case of clauses 18.3(a), 18.3(b) and 18.3(c), the Receiving Party will promptly notify the Disclosing Party and the Company and co-operate with the Disclosing Party or the Company (as appropriate) regarding the timing and content of such disclosure and any action which the Disclosing Party or the Company (as appropriate) may reasonably wish to take to challenge the validity of such requirement.

18.4 The Receiving Party may disclose Confidential Information to its employees and advisers, provided that it makes each such recipient aware of the obligations of confidentiality assumed by it under this Agreement and provided that it procures that such recipient complies with those obligations as if it were a party to this Agreement.

18.5 A Shareholder may disclose Confidential Information relating to the Company and any Subsidiary of it (but not the other Shareholder(s)) to a potential purchaser to whom it is or may, subject to compliance

with the transfer provisions in this Agreement, become entitled to sell its Shareholder Instruments, provided that before any Confidential Information is disclosed, the potential purchaser shall have entered into appropriate confidentiality undertakings no less protective and favorable to the Company than the terms of this Agreement.

- 18.6 Notwithstanding any other term of this Agreement, Saudi Aramco may, if and to the extent necessary in connection with the exercise of its rights and obligations hereunder, disclose Confidential Information to the Ministry of Energy, Industry and Mineral Resources of the Kingdom of Saudi Arabia (**MinPet**), its Affiliates and members of Saudi Aramco's board of directors or managers, provided that Saudi Aramco shall (i) use all reasonable efforts to provide that MinPet does not further disclose such Confidential Information and (ii) ensure its Affiliates and board of directors or managers treat the Confidential Information no less protectively than the obligations incumbent upon Saudi Aramco in this clause 18 (other than this clause 18.6).
- 18.7 In respect of any item of Confidential Information, this clause 18 shall continue to bind the Shareholders notwithstanding termination or expiration of this Agreement:
- (a) for so long as the Confidential Information in question has not become part of the public knowledge or literature without breach of these undertakings; and
 - (b) until a Third Party consultant, agent or other contractual party (other than any such Person acting on behalf of the Disclosing Party) having the right to disseminate such Confidential Information lawfully discloses the Confidential Information to the Receiving Party.
- 18.8 Promptly upon termination or expiration of this Agreement, and unless specifically provided otherwise in this Agreement, each Shareholder shall deliver to the other Shareholder (without retaining any copies), or at the option of the other Shareholder, destroy, at its own expense, the other Shareholder's Confidential Information. Each Shareholder shall, immediately on the written request of the other Shareholder, confirm in writing that it has returned, destroyed or permanently erased all such Confidential Information or all copies of such Confidential Information supplied to it or made by it, or by the Persons to whom it has supplied copies in accordance with the terms of this Agreement.

19. INDEMNIFICATION AND LIABILITY

- 19.1 Neither the Board Managers nor the officers of the Company shall be liable to the Company or the Shareholders for mistakes of judgment or for any act or omission suffered or taken by them, or for Losses due to any such mistakes, action or inaction, except to the extent that the mistake, action or inaction was caused by the willful misconduct, fraud, forgery, bad faith or Gross Negligence of the relevant Board Manager(s) or officer(s) of the Company.
- 19.2 To the maximum extent permitted by Applicable Law, and except as provided in clause 19.1, neither the Board Managers nor officers of the Company shall be liable for, and the Company shall indemnify the Board Managers and officers of the Company against and agrees to hold the Board Managers and officers of the Company harmless from, all Losses incurred by the Board Managers and officers of the Company arising from the performance by the Board Managers or officers of the Company of their respective duties in relation to the Company and its Business.
- 19.3 The Board of Managers may consult with legal counsel, accountants, investment bankers or other experts selected by the Board of Managers, and any action or omission suffered or taken in good faith in reliance on, and in accordance with, the written opinion or advice of any such counsel, accountants,

investment bankers or other experts (provided such have been selected with reasonable care) shall be fully protected and justified with respect to the action or omission so suffered or taken.

- 19.4 In the event that any Shareholder or any of its Affiliates is alleged to be or shall become liable for any Loss of whatever nature of the Company, then the Company shall indemnify such Shareholder or its Affiliate (each on an after-tax basis) and hold such Shareholder or its Affiliate harmless from and against any such Losses of such Shareholder or its Affiliate to the extent that such Losses relate to or arose out of any action taken or any transaction effected by the Board of Managers under this Agreement or any action which the Board of Managers failed to take or any transaction which the Board of Managers failed to effect and which the Board of Managers was obligated to take or effect under this Agreement.
- 19.5 In the event that the Company's limitation of liability is lost as a result of the act or omission of any Shareholder and such loss of limitation of liability further results in the liability of the Shareholders in connection with this Agreement, each other Transaction Agreement and any other agreements in connection hereunder and thereunder, as well as the consummation of the transactions contemplated hereunder and thereunder, then the Shareholder whose act or omission resulted in such loss of the limitation of liability shall indemnify and hold harmless the other Shareholder, as applicable, for any direct Losses resulting therefrom, excluding any indirect, incidental or consequential Losses.

20. COVENANTS

20.1 Non-Solicitation

Each Shareholder covenants with the others that it will not (and will procure that its Affiliates, including its employees, agents, advisers and any Person acting on its behalf will not), from the Project Operations Date and for a period of two (2) Years after the earlier of: (a) ceasing to be a Shareholder and a party to this Agreement; and (b) the termination or expiration of this Agreement (howsoever terminated or expired), encourage or seek to encourage any Person who is a manager, employee, consultant or Seconded or other individual seconded to work within another Shareholder or its Affiliates, to leave his current employment or to breach the terms of such employment, consultancy or secondment. The restrictions in this clause 20.1 shall not apply to the employment of any person following an unsolicited approach by that person at his own instigation or in response to an advertisement placed in the national, local or trade press or in response to an approach made by a headhunter without the person having first been identified to the headhunter by or on behalf of the Shareholder in question.

20.2 Exclusivity

- (a) Rowan warrants that, at Completion, neither it nor any of its Affiliates will be engaged in any negotiations in respect of any Competing Project and that it will have dissolved or terminated any existing Competing Projects.
- (b) Rowan shall notify Saudi Aramco, to the extent permitted by Applicable Law and applicable confidentiality or similar obligations (provided that Rowan shall, to the extent practicable and subject to its confidentiality obligations hereunder, seek to obtain a waiver of any such obligations with respect to Notice to Saudi Aramco), as promptly as practicable if any communication, invitation, approach, enquiry or request for information is received by it or any of its Affiliates or any representative of it or any of its Affiliates that could reasonably be understood as a solicitation to engage in negotiations or substantive discussions in respect of a Competing Project.

- (c) Rowan covenants with Saudi Aramco (and each of its Affiliates) that, for so long as Rowan is a Shareholder:
- (i) Rowan shall not, and Rowan shall procure that none of its Affiliates will, enter into or hold any interest in any Competing Project or subject to clause 20.2(d), acquire any drilling rigs which are located in the Kingdom or invest in any Person or hold any form of interest in any Person who at the time of such investment is engaged in a Competing Project, in all cases whether directly or indirectly; and
 - (ii) Rowan shall procure that none of its Affiliates, directors, managers, officers, employees, agents or advisers shall use any Confidential Information during or following termination of this Agreement for the purposes of promoting, facilitating or granting competitive advantage to any Competing Project.
- (d) Notwithstanding the foregoing, nothing in this clause 20.2 shall limit Rowan or any of its Affiliates from acquiring or investing in (or attempting, soliciting or entering into discussions with respect to the acquisition of or investment in):
- (i) any Person or any equity interest in any Person if the interests and assets of such Person are engaged in a Competing Project; or
 - (ii) any drilling rigs which are located in the Kingdom,

provided, that any such drilling rigs or drilling rigs owned by such Person and engaged in a Competing Project shall, from the time of completion of such acquisition or investment and unless otherwise mutually agreed between the Shareholders, be Managed Rigs until expiration of their associated drilling contracts and, at contract expiration, if Saudi Aramco Customer offers a Drilling Contract, the Company will elect to categorize such rigs as either Contributed Rigs or Leased Rigs and Rowan will then elect whether to accept such Drilling Contract. If Saudi Aramco Customer does not offer a Drilling Contract or Rowan elects not to accept such Drilling Contract as categorized by the Company, such rigs shall be removed from the Kingdom.

21. INSURANCE

- 21.1 The Shareholders shall cause the Company and its Subsidiaries (if any) to effect, or cause the arrangement of, and maintain, or cause the maintenance of, insurance policies as shall be commercially available at reasonable commercial rates, as may be required by any Applicable Law or regulation, together with any other insurance as shall be prudent in the judgment of the Board of Managers, including:
- (a) for each drilling rig and its assets against such risks and in the manner and to the extent as shall be in accordance with good commercial practice with regard to assets of the same kind in comparable circumstances; and
 - (b) for the Company and its Subsidiaries (if any) in respect of any accident, damage, injury, third party loss, loss of profits and other risks and in the manner and to an extent as shall be in accordance with good commercial practice with regard to a business of the same kind as that of the Company or, as appropriate, the relevant Subsidiary concerned.
- 21.2 The Shareholders shall cause the Company to obtain and subscribe for customary directors' and officers' liability insurance covering each Board Manager.

21.3 All insurance policies shall be arranged with reputable insurers and/or reinsurers of a standing acceptable to the Board of Managers.

22. DISPUTE RESOLUTION PROCEDURES

All Disputes arising out of or in connection with this Agreement shall be settled in accordance with the Dispute Resolution Procedures set forth in Schedule 9.

23. ASSIGNMENT

Except as expressly provided in this Agreement, no rights or obligations under this Agreement or in relation to: (i) any Shareholder's Shareholder Instruments; and/or (ii) such Shareholder's corresponding rights and/or obligations associated with such Shareholder Instruments, may be assigned, transferred or otherwise disposed of (including held or declared into trust) by a Shareholder without first seeking and obtaining the prior written consent of the other Shareholder.

24. FORCE MAJEURE EVENTS

24.1 Effect of Force Majeure Event

If a Party (the **Affected Party**) is directly prevented or delayed from performing any of its obligations under this Agreement (other than an obligation to pay money, absent any contrary action of the Government or Applicable Law) by reason of a Force Majeure Event, such obligations of the Affected Party which are affected by the Force Majeure Event shall be suspended without liability for a period equal to the period during which the performance of such obligations is prevented or delayed.

24.2 Definition of Force Majeure Event

For purposes of this Agreement, **Force Majeure Event** shall mean any circumstances beyond the reasonable control or ability to avoid, acting prudently and reasonably, of, and without the fault or negligence of, the Affected Party that directly prevents or delays the performance of such Affected Party's obligations under this Agreement, including the following only to the extent that the foregoing requirements are satisfied in respect thereof: (i) natural disasters or acts of God, such as flood, fire, storm, cyclone, earthquake or freezing temperatures; (ii) acts of war or insurrection such as declared or undeclared war, civil war, uprising, guerrilla activity, riot, acts of terrorism or any other hostile act; (iii) shortage or non-availability of fuel, materials, parts, labor or transportation generally; (iv) labor disputes or any other labor conflict (not involving solely the employees of that Party); (v) Government action, such as laws, rules, regulations, directives or orders promulgated by any Governmental Entity or body having, or claiming to have, jurisdiction over the Parties or the operations hereunder; (vi) Government inaction, such as failure or delay in granting import licenses or other Government permits or authorizations required to perform the activities contemplated hereby; and (vii) any other cause beyond the reasonable control of the Party claiming that its performance obligations have been affected by a Force Majeure Event similar to, or different from, those already mentioned above, provided, always, that lack of funds shall not be interpreted as a cause which is not of a Party's making nor within a Party's reasonable control. The Parties specifically agree that Saudi Aramco's inability to perform all or any part of this Agreement due to Government action, inaction or directive as set forth in (v) and (vi) above shall constitute a Force Majeure Event.

24.3 Notice of Force Majeure Event

As soon as reasonably practicable after the start of the Force Majeure Event, the Affected Party shall notify the other Parties in writing of the act, event, or circumstance which constitutes a Force Majeure Event, the date on which such Force Majeure Event commenced, its estimated duration and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under this Agreement.

24.4 Mitigation

The Affected Party and each of the other Parties shall use their respective best efforts to mitigate the effects of the Force Majeure Event on the performance of its obligations under this Agreement, provided that, in each case, the actual and verifiable costs and expenses incurred by the other Parties shall be borne by the Affected Party. However, a Party shall not be obliged to settle a labor conflict in order to comply with such obligation to mitigate the effects of a Force Majeure Event.

24.5 Events Not Constituting Force Majeure Events

Force Majeure Events shall not include any failure by a Third Party to make payments when due, any failure of performance by any contractor or subcontractor which failure is not caused by an event that would qualify hereunder as a Force Majeure Event, or the acts or omissions of any Affiliate of a Party which are not caused by an event that would qualify hereunder as a Force Majeure Event.

24.6 Reporting

As soon as reasonably practicable after the end of the Force Majeure Event, the Affected Party shall notify the other Parties in writing that the Force Majeure Event has ended and such Affected Party shall resume performance of its obligations under this Agreement.

24.7 Consequence of Force Majeure Events

No Party shall be released from any of its obligations under this Agreement as a result of a Force Majeure Event. This Agreement shall remain in effect for the duration of a Force Majeure Event.

24.8 Accrued Obligations

The Parties further agree that, except as provided under clause 24.4, at the conclusion of any Force Majeure Event, no Party shall have any obligation to the other Parties with respect to its failure to perform any obligations required hereunder as a consequence of such Force Majeure Event. No Force Majeure Event shall operate to extend the Term of this Agreement.

25. MISCELLANEOUS**25.1 Binding Effect**

Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall, in accordance with its terms, be binding upon and inure to the benefit of the Parties and their respective heirs, legatees, legal representatives, successors, transferees and permitted assigns.

25.2 Further Covenants

- (a) The Parties undertake to each other to execute and perform all such deeds, documents, assurances, acts and things and to exercise all powers and rights available to them, including the convening of all meetings and the giving of all waivers and consents and passing of all resolutions reasonably required to ensure that the Shareholders, the Board Managers appointed by them (and any alternate Board Manager) and, so far as any obligations are expressed to be imposed upon them, the Company and any Subsidiaries of it:
- (i) give effect to the terms of this Agreement; and
 - (ii) give effect to the terms of the Project Documents.
- (b) Without prejudice to the generality of clause 25.2(a), the Shareholders agree, as between themselves, that, if any provisions of the Constitutional Documents at any time conflict with any provisions of this Agreement, the provisions of this Agreement shall prevail and the Shareholders shall exercise all powers and rights available to them to procure the amendment of the Constitutional Documents to the extent necessary to permit the Company and its affairs to be regulated as provided in this Agreement.

25.3 Announcements

No Party shall make or permit any Person connected with it to make any announcement concerning this Agreement, any of the other Transaction Agreements or Project Documents or any ancillary matter before, on or after the Effective Date, except as required by Applicable Law or any competent regulatory body or with the prior written approval of all Shareholders, such approval not to be unreasonably withheld or delayed.

25.4 Notices

- (a) Any notice or other communication to be given under this Agreement shall be given in writing in English and may be delivered in person (to the person designated to act and/or receive notice on behalf of the relevant Party) or sent by prepaid trackable courier service, or email to the relevant Party at the following addresses, or such other address or email addresses as the relevant Party may notify the other Parties in writing from time to time (a **Notice**):

- (i) If to Saudi Aramco:

Saudi Aramco Al Midra Building, RM E-907A
 Dhahran, 31311
 Kingdom of Saudi Arabia
 Attn: VP New Business Development
 Email: yasser.mufti@aramco.com

with a copy to:

Saudi Aramco Main Administration Building; RM 335
 PO Box 5000
 Dhahran, 31311
 Kingdom of Saudi Arabia
 Attn: General Counsel

Email: nabeel.mansour@aramco.com

(ii) If to Rowan:

2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056
Attn: General Counsel
Email: meltre@rowancompanies.com

with a copy to:

2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056
Attn: Rowan Legal
Email: legal@rowancompanies.com

- (b) Any such Notice sent as aforesaid shall, if sent by email, be deemed delivered on the date of sending, if transmitted before 5.00 pm (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of sending. In proving service of a Notice by email, it is sufficient to prove that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's email system.
- (c) Unless otherwise specified: (i) any Notice to be made to the Company, the Chairman, the Secretary and any Senior Officers shall be deemed validly made if addressed to such person and delivered to the Head Office unless another address is specified by any such person for such purpose, in which case it shall be deemed to be validly made if addressed to such person and delivered to such address; and (ii) any Notice to be made to a Board Manager of the Company shall be deemed validly made if addressed to such Board Manager and delivered to the Shareholder who appointed such Board Manager; provided, however, that the rules with respect to delivery as stipulated in clauses 25.4(a) and 25.4(b) shall continue to apply.

25.5 Entire Agreement; Compliance with and Precedence of this Agreement

- (a) Each of the Parties confirms that this Agreement and the other Transaction Agreements represent the entire understanding, and constitute the whole agreement, in relation to their subject matter and supersede any previous agreements, arrangements or understandings between the Parties with respect thereto (including, subject to clause 25.5(b), the MOU).
- (b) Upon entry into this Agreement, the Shareholders shall sign a written notice, and procure that the parties to the MOU counter-sign such notice in acknowledgement thereof, to confirm the termination of the MOU and agree that, in addition to the surviving provisions under clause 10.2 of the MOU, clauses 4 and 8 of the MOU shall survive the entry into this Agreement. Clauses 4 and 8 of the MOU shall, however, terminate upon the earlier of the Formation Date and termination of this Agreement in accordance with paragraph 2.5 of Schedule 2.
- (c) Except as required by Applicable Law, no terms shall be implied (whether by custom, usage or otherwise) into this Agreement.
- (d) Each Shareholder must exercise all powers and rights available to that Shareholder as a holder of Shares in order to give effect to the provisions of this Agreement and to ensure the Company

complies with its obligations under this Agreement. References in this Agreement to the Shareholders procuring that the Company performs its obligations are to be interpreted accordingly.

- (e) In the event of any inconsistency between the Articles of Association and the provisions of this Agreement, the Parties hereby agree that, to the extent possible under Applicable Law, the provisions of this Agreement shall prevail over the corresponding provisions of the Articles of Association regardless of whether the Articles of Association (and any subsequent amendments thereto) were entered into before or after the Effective Date.
- (f) Each Shareholder must exercise all powers and rights available to that Shareholder to procure, to the extent possible under Applicable Law, the amendment of the Articles of Association to the extent necessary to give effect to the provisions of this Agreement.

25.6 Amendments

This Agreement may be amended by the unanimous written agreement of the Shareholders.

25.7 Waivers

- (a) Any term of this Agreement may be waived by the unanimous written agreement of the Shareholders.
- (b) The rights and remedies of the Parties under or in connection with this Agreement shall not be affected by the giving of any indulgence by the other Parties or by anything whatsoever, except a specific waiver or release in writing, and any such waiver or release shall not prejudice or affect any other rights or remedies of such Parties.

25.8 Counterparts

This Agreement may be executed in any number of counterparts and by the Parties on separate counterparts, each of which when executed and delivered shall be an original, but all the counterparts together constitute one (1) instrument.

25.9 English Language

- (a) This Agreement and all related documents, instruments and other materials relating hereto (including Notices, demands, requests, statements, certificates or other documents or communications) shall be in the English language, unless agreed otherwise by the Parties.
- (b) The Parties each acknowledge that:
 - (i) the Constitutional Documents will be issued in Arabic (of the type used as the official language of the Kingdom) and, to the extent permissible under Applicable Law, English; and
 - (ii) any Constitutional Document in the Arabic language shall prevail over the English language version of the same document.

25.10 Remedies Cumulative

The rights and remedies provided to the Parties under this Agreement are cumulative and are in addition to, and not in limitation of, other rights and remedies that may be available to any Party under this Agreement or Applicable Law, provided that the Parties agree to exclude, to the extent permissible, any right of termination of this Agreement arising under Applicable Law.

25.11 Severability

If any part (including any clause or part thereof) of this Agreement shall be void or unenforceable by reason of any Applicable Law, it shall be deleted and the remaining parts of this Agreement shall continue in full force and effect and, if necessary, the Parties shall use their best efforts to agree upon any amendments to this Agreement necessary to give effect to the spirit of this Agreement with due consideration to the economic interests pursued by each Shareholder and guided by the principles of reason and fairness.

25.12 Governing Law

This Agreement shall be construed in accordance with the plain meaning of its terms and shall be interpreted in all respects in accordance with and governed by the laws of the Kingdom, without regard to any conflicts of law provisions.

25.13 Further Assurances

The Parties hereby agree to cooperate and use their best efforts to take, or cause to be taken, all appropriate action necessary, proper or advisable and to obtain all permits, consents, approvals, authorizations, qualifications and orders as are necessary under the laws of the Kingdom to consummate and make effective the transactions contemplated by this Agreement.

25.14 Costs

- (a) Save as otherwise provided in this Agreement or as otherwise specifically agreed in writing by the Parties, each Party shall pay the costs and expenses incurred by it and each of its Affiliates in connection with the preparation, negotiation, entering into and execution of this Agreement, including in respect of its obligations in satisfying the Conditions Precedent set forth in paragraph 2 of Schedule 2 and the other requirements for subscribing the Shares.
- (b) The Parties shall identify and agree upon other pre-formation and post-formation costs to be incurred by each Party related to the development of the Company, including negotiation of arrangements with third parties, that shall be expenses of and properly charged to the Company. In that regard, the Parties intend to incur all costs in a manner that will enable them to be invoiced in U.S. Dollars. To the extent that it is not possible, costs that are incurred in a currency other than U.S. Dollars shall be the lower of the U.S. Dollar equivalent for such amount:
 - (i) converted into U.S. Dollars at the exchange rate published on the relevant Bloomberg page for the date of receipt of the relevant invoice; or
 - (ii) such other currency in accordance with the relevant contract or in accordance with separate arrangements with the relevant Third Party.

25.15 Reliance

- (a) Each Shareholder:
 - (i) confirms on behalf of itself and its Affiliates that, in entering into this Agreement, it has not relied on any express or implied representation, warranty, assurance, collateral contract, covenant, indemnity, undertaking or commitment which is not expressly set forth or referred to in this Agreement; and
 - (ii) waives all rights and remedies which, but for this clause 25.15, might otherwise be available to it in respect of any such express or implied representation, warranty, collateral contract or other assurance.
- (b) Nothing in this clause 25.15 limits or excludes any liability for fraud.
- (c) Each Shareholder acknowledges and agrees on behalf of itself and its Affiliates that:
 - (i) any information provided to it by the other Shareholder or its Affiliates in connection with this Agreement (the **Information**) does not purport to be all inclusive and that no representation or warranty, express or implied, has been or will be made by the Shareholder providing the Information or any of its Affiliates, directors, managers, officers, employees, agents or advisers as to the accuracy, reliability or completeness of any of the Information; and
 - (ii) the Shareholder providing the Information shall not:
 - (A) have any liability to the Shareholder receiving the Information or to any other Person resulting from the use of such Information by the receiving Shareholder or its Affiliates; or
 - (B) be under any obligation to provide further Information, update Information or correct any inaccuracies in Information; and
 - (iii) each Shareholder is responsible for making its own evaluation of the Information.

25.16 Prohibited Payments

No Party or any of its Affiliates, employees, agents, or subcontractors, or their employees or agents, shall make payment or give or take anything of value to or from any official (including any officer or employee of any department, agency, or instrumentality) or other Person to influence his or its decision, or to gain any other advantage for itself, the Company or any of its Affiliates. A Party becoming aware of a violation of this clause 25.16 by one (1) of its Affiliates, employees, agents or subcontractors, or their employees or agents, shall immediately notify the other Party of the potential violation of this clause 25.16 and hold the other Party harmless for all Losses and expenses arising out of such violation.

25.17 No Partnership

It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create:

- (a) a partnership, association or trust, or to authorize a Party to act as an agent, servant, or employee for another Party; or

(b) any fiduciary relationship between the Parties as co-ventures or otherwise.

25.18 No Deductions

All sums payable by a Shareholder under this Agreement shall be paid without deduction or withholding of any bank or transfer charges, Taxes, duties, fees, assessments or otherwise; provided that if a Shareholder is required by Applicable Law to make any deduction or withholding from any sum paid or payable to the other Shareholder, the paying Shareholder shall make such deduction or withholding and pay the relevant amount to the relevant entity.

25.19 No Set-Off

Unless otherwise expressly allowed under this Agreement, every payment payable under this Agreement shall be made in full without any set-off or counterclaim howsoever arising and shall be free and clear of, and without deduction of, or withholding for or on account of, any amount which is due and payable to any Shareholder under this Agreement or any other Transaction Agreement.

25.20 Beneficiary

This Agreement shall inure to the benefit of, and shall be enforceable by, the relevant Party and its respective successors and permitted assigns. Nothing contained herein shall be deemed to confer upon any Third Party any right or remedy under or by reason hereof.

IN WITNESS WHEREOF , each of the Parties has caused this Agreement to be executed, in duplicate originals, by its duly authorized representatives as of the date first written above.

SIGNATORIES

SAUDI ARAMCO DEVELOPMENT COMPANY

By: /s/ Yasser M. Mufti

Name: Yasser M. Mufti

Title: Chairman of the Board of Directors

In the presence of:

Signature of witness /s/ Majid A. Mufti

Name of witness Majid A. Mufti

Address of witness Dhahran

Occupation of witness Head of Upstream Transactions

ROWAN REX LIMITED

By: /s/ Thomas P. Burke
Name: Thomas Burke
Title: Director and President

In the presence of:

Signature of witness /s/ Hisham Al-Shehri
Name of witness Hisham Al-Shehri
Address of witness Dhahran
Occupation of witness Drilling Eng.

SCHEDULE 1**ASSETS****PART 1****SAUDI ARAMCO RIG CONTRIBUTIONS**

Saudi Aramco shall contribute, transfer and deliver to the Company the rigs listed in the below table, together with the related assets for each rig and all non-rig inventory, in accordance with the relevant Asset Transfer and Contribution Agreement.

Jack-up	Year In Service	Asset Contribution Date	Max water depth (feet)	Max drilling depth (feet)	Flag	Classification Society
SAR-201	1982	the Project Operations Date	200	20,000	Saudi Arabia	ABS
SAR-202	2012	the Project Operations Date	300	30,000	Saudi Arabia	ABS

PART 2**ROWAN RIG CONTRIBUTIONS**

Rowan shall contribute, transfer and deliver to the Company the rigs listed in the below table, together with the related assets for each rig and all non-rig inventory, in accordance with the relevant Asset Transfer and Contribution Agreement.

Jack-up	Year In Service	Asset Contribution Date	Max water depth (feet)	Max drilling depth (feet)	Flag	Classification Society
JB58	2008	the Project Operations Date	300	35,000	Marshall Islands	ABS
BK56	2005	the Project Operations Date	300	35,000	Marshall Islands	ABS
GR38	1981	the Project Operations Date	300	30,000	Marshall Islands	ABS
SY55	2004	October 2018	300	35,000	Marshall Islands	ABS
HB57	2006	October 2018	300	35,000	Marshall Islands	ABS

SCHEDULE 2

FORMATION OF THE COMPANY

1. Formation of the Company

- 1.1 As soon as reasonably practicable following the Effective Date, unless required in connection with Managed Rigs or Leased Rigs, Rowan shall terminate all of its existing joint venture, agency, or similar relationships in the Kingdom.
- 1.2 As soon as reasonably practicable following the Effective Date, each of the Shareholders shall use its best efforts to cause and shall apply for (and pursue such application for and provide all required documentation and information for) the Company to be established as a limited liability company duly organized and existing under the laws of the Kingdom and pursuant to the Articles of Association, which shall include:
- (a) each Shareholder having delivered to the other Shareholder the following documents:
 - (i) an investment resolution issued by the governing body of such Shareholder's corporate organization setting forth:
 - (A) the Company's name, corporate objectives and Authorized Capital and Initial Capital Contributions to be made by each Shareholder pursuant to paragraph 1.2(d) of this Schedule 2;
 - (B) the capital split between the Shareholders as agreed in this Agreement; and
 - (C) the names of its nominees to be appointed as members of the initial Board of Managers;
 - (ii) evidence of issuing a power of attorney authorizing a lawyer licensed to practice in the Kingdom to submit documents, appear before authorities in the Kingdom and execute documents before the notary public on behalf of such Shareholder in connection with the formation of the Company;
 - (iii) such Shareholder's corporate documents, including its articles of association/incorporation and commercial registration certificate, or their equivalent in the Shareholder's jurisdiction of incorporation, in each case where a Shareholder is not a company incorporated in the Kingdom, as notarized and legalized by the Kingdom's embassy in the Shareholder's jurisdiction of incorporation, and any other documents required by any Governmental Entity for the purposes of licensing the Company and the investment of, and Capital Contributions made by, the Shareholders, including all certified and authenticated translations thereof;
 - (iv) in respect of Rowan, a completed and executed company/investor profile; and
 - (v) all other documents as may be required by the authorities or any Governmental Entity for the purposes of the formation of, or procurement of requisite licenses for, the Company;
 - (b) the Shareholders having applied to MOCI to reserve the proposed commercial name of the Company, and having obtained a valid name reservation receipt;

- (c) the Shareholders having obtained any preliminary approvals required from any relevant Governmental Entity to incorporate the Company and allow it to conduct the Business, or otherwise confirming with the relevant Governmental Entities that no license or approval is required;
 - (d) the application to SAGIA (and to the extent permissible by SAGIA, under the fast track process) to issue the necessary foreign investment license(s) for the Company that names Saudi Aramco and Rowan as shareholders and lists the Company's Business as the licensed activities;
 - (e) the Shareholders having executed the Articles of Association before a notary public in the Kingdom and having the notary public in the Kingdom notarize the Articles of Association;
 - (f) the Shareholders having published the Articles of Association on MOCI's website within thirty (30) days from the date of notarization of the Articles of Association;
 - (g) the Shareholders having opened a company under-formation bank account in respect of the Company (the **Company Under-Formation Bank Account**) with a bank licensed in the Kingdom to receive funds and hold corporate bank accounts (the **Bank**), and each Shareholder, subject to paragraph 4.2 of this Schedule 2, having deposited its Initial Capital Contribution to subscribe for its respective Shares in the Company in accordance with paragraph 4.1 of this Schedule 2;
 - (h) the Shareholders having filed an application with MOCI for the registration of the Company in MOCI's Commercial Register within thirty (30) days from the date of notarization of the Articles of Association, and having obtained the Commercial Registration Certificate of the Company, which contains the accurate information of the Company and which names the initial members of the Board of Managers;
 - (i) the Shareholders having delivered a notice to the Bank confirming and providing evidence of the issuance of the Commercial Registration Certificate and requesting the release of the Initial Capital Contributions made in accordance with paragraph 4.1 of this Schedule 2 to the Company; and
 - (j) the Shareholders having satisfied any notification obligation and having received any required consents from the relevant Governmental Entities, whether such notification obligation or consent is required by law or as a matter of policy or practice.
- 1.3 The Company shall be formed on the date of its registration in the Commercial Register at MOCI (the **Formation Date**).
- 1.4 From and including the Formation Date, decisions taken by the steering committee established pursuant to the MOU (having authority to direct and supervise on behalf of the Shareholders certain aspects of the Business prior to the Formation Date of the Company) (the **Steering Committee**) shall be ratified and assumed by the Board of Managers.
- 1.5 The Shareholders shall each use commercially reasonable efforts to agree on and settle the terms of the Governance Charter as soon as reasonably practicable following the Formation Date. The Shareholders agree that the terms of the Governance Charter shall be consistent with the terms of this Agreement (as applicable).

2. Conditions Precedent

- 2.1 The Shareholders shall cause the Company to commence the Business after the following conditions have been satisfied or waived in accordance with paragraph 2.4 of this Schedule 2:
- (a) the steps and actions set forth in paragraph 1 of this Schedule 2 having been performed in full;
 - (b) the Company having been formed and registered in the Commercial Register at MOCI; and
 - (c) unless required in connection with Managed Rigs or Leased Rigs, Rowan having terminated all of its existing joint venture, agency, or similar relationships within the Kingdom.
- 2.2 Each Shareholder shall provide such information and documents and such other assistance as may be reasonably required by the other Shareholder in order to be able to fulfil its obligations under this paragraph 2 of this Schedule 2.
- 2.3 The Shareholders shall use all reasonable endeavors to procure that the conditions of this paragraph 2 of this Schedule 2 are fulfilled as soon as possible and in any event on or before the date that is nine months from the Effective Date, including each Shareholder using all reasonable endeavors to cause the Company to issue all the required approvals and authorizations to enter into the Transaction Agreements to which the Company is a party promptly following the Formation Date.
- 2.4 The Shareholders may waive all or any of the conditions in paragraphs 2.1(a) and (b) of this Schedule 2 in whole or in part at any time by mutual agreement in writing. Saudi Aramco may waive the condition in paragraph 2.1(c) of this Schedule 2 in whole or in part at any time by notice to Rowan.
- 2.5 If the Conditions Precedent in this paragraph 2 of this Schedule 2 are not fulfilled or, where applicable, waived on or before the date specified in paragraph 2.3 of this Schedule 2 (or such later date as the Shareholders may agree in writing), either Shareholder may, by notice in writing to the other Shareholder, terminate this Agreement, in which case neither of the Shareholders shall have any rights or obligations under this Agreement (so that neither Shareholder shall have any claim against the other for costs, damages, compensation or otherwise), except:
- (a) in respect of any previous breach of this Agreement (including the terms of paragraph 2.3 of this Schedule 2); and
 - (b) the provisions of clauses 1, 15 (so far as it relates to an obligation under this Agreement arising prior to such release), 17.6, 18, 19, 20, 22, 23, 24, and 25 and Schedule 9 shall continue to apply.
- 2.6 A Shareholder may not exercise a right of termination under paragraph 2.5 of this Schedule 2 if that Shareholder's breach of this Agreement (including its obligations under paragraph 2.3 of this Schedule 2) is a material cause of, or resulted in, any Condition Precedent not being fulfilled by the date specified in paragraph 2.3 of this Schedule 2.

3. Completion and Pre-Completion Formalities

- 3.1 The Shareholders shall promptly notify each other upon the satisfaction of the matters set forth in paragraph 2 of this Schedule 2, and **Completion** shall be deemed to have occurred upon the date of the latter notification.

- 3.2 On or before Completion (to the extent not already done on the Effective Date) the Shareholders shall execute and deliver, and shall procure that each of their relevant respective Affiliates and, following the Formation Date, the Company executes and delivers, each of the Transaction Agreements to which they are party.
- 3.3 Promptly following Completion, each Shareholder shall cause the Company to make the registrations required for the Company, including filing with the GAZT, GOSI, the Ministry of Labor and the Labor Office.
- 3.4 The Shareholders shall use best efforts to procure that the registrations referred to in paragraph 3.3 of this Schedule 2 are achieved as soon as possible.

4. Initial Capital Contributions and Initial Ownership Interests

- 4.1 As at the Formation Date, the Authorized Capital shall be the Saudi Riyals (SAR) equivalent of fifty million U.S. Dollars (USD 50,000,000), whereby:
- (a) Saudi Aramco shall make an Initial Capital Contribution of the Saudi Riyals (SAR) equivalent of twenty-five million U.S. Dollars (USD 25,000,000), and shall have an initial Ownership Interest equal to fifty percent (50%); and
 - (b) Rowan shall make an Initial Capital Contribution of the Saudi Riyals (SAR) equivalent of twenty-five million U.S. Dollars (USD 25,000,000), and shall have an initial Ownership Interest equal to fifty percent (50%),

each such initial Capital Contribution being an **Initial Capital Contribution** .

- 4.2 The Initial Capital Contributions shall be deposited in the Company Under-Formation Bank Account on the condition that they will not be released until the earlier of:
- (a) the issuance of the Company's Commercial Registration Certificate, in which case they shall be released to the Company; or
 - (b) the receipt by the Bank of a written notice signed by each Shareholder confirming the desire not to continue with the incorporation, in which case the Bank shall, and the Shareholders shall cause the Bank to, return to each Shareholder an amount equal to such Shareholder's Initial Capital Contribution.

5. Asset Contributions

- 5.1 In addition to the Initial Capital Contributions set forth in paragraph 4.1 of this Schedule 2, each Shareholder shall contribute the relevant rigs (as set forth in Schedule 1) to the Company (together with all related assets and all non-rig inventory as further described in the relevant Asset Transfer and Contribution Agreement), in consideration for the Company entering into Subordinated Shareholder Loans with the Shareholders, in accordance with the terms of, and the valuation principles set forth in, the Asset Transfer and Contribution Agreements.
- 5.2 If a Shareholder contributes immediately available funds to the Company as a Matching Contribution (as defined in an Asset Transfer and Contribution Agreement), or otherwise in replacement of or as a balancing payment in respect of the contribution of a Contributed Rig, in accordance with the provisions of any Asset Transfer and Contribution Agreement, the Board of Managers shall, to the extent such amounts are not required to be retained to meet the working capital and/or operational requirements of

the Company for the then current Financial Year (as determined by the Board of Managers, acting reasonably taking into account the Business Plan for that Financial Year), apply such amounts as a mandatory prepayment of the Subordinated Shareholder Loans then outstanding to each Shareholder in proportion to the amount of Subordinated Shareholder Loans then held by each Shareholder relative to the aggregate then outstanding Subordinated Shareholder Loans.

- 5.3 If:
- (a) Saudi Aramco does not make a matching contribution required to be made in accordance with the terms of its Asset Transfer and Contribution Agreement on a Matching Contribution Date (as defined in such Asset Transfer and Contribution Agreement) in circumstances where it is permitted to withhold such payment due to a failure by Rowan to contribute or procure the contribution of a rig; or
 - (b) Saudi Aramco contributes a Damaged Rig under the Saudi Aramco Asset Transfer and Contribution Agreement on a date which is not a 'Matching Contribution Date' (such terms as are defined in such Asset Transfer and Contribution Agreement),

then if this results in the respective aggregate Shareholder Instruments (other than Authorized Capital) held by the Shareholders being unequal for a period of time, such inequality shall be ignored for the purposes of determining the Shareholders' respective Ownership Interests, which in such circumstances shall be determined by the amount of Authorized Capital held by each Shareholder, unless and until all Assets (as defined in the relevant Asset Transfer and Contribution Agreements) and financial contributions have been made in accordance with the Asset Transfer and Contribution Agreements or an Asset Transfer and Contribution Agreement is terminated in accordance with its terms; at which point the determination of Ownership Interests shall be determined by reference to the aggregate of Shareholder Instruments extended by, or issued to or transferred to each Shareholder at or prior to the relevant time.

- 5.4 The Parties acknowledge that it is their intention that the Shareholders' contributions under the Asset Transfer and Contribution Agreements, if made in accordance with the terms thereof, shall result in the issuance of Subordinated Shareholder Loans to the Shareholders in equal amounts on each Asset Contribution Closing Date (as defined in the Asset Transfer and Contribution Agreements).

6. Invoicing of Formation Joint Costs and Expenses

- 6.1 On (or as soon as practicable after) the Formation Date and so far as is consistent with Applicable Law:
- (a) the costs and expenses incurred and paid by either of the Shareholders (or any of their Affiliates) in relation to the commencement or implementation of the Business and the formation of the Company prior to the Formation Date which were not borne in proportion to that Shareholder's Ownership Interest and which have not been reimbursed to that Shareholder (or its Affiliate) shall be borne equally by the Shareholders up to an amount not exceeding five million U.S. Dollars (USD 5,000,000) in aggregate (the **Formation Joint Costs and Expenses**);
 - (b) each of Saudi Aramco and Rowan shall issue statements to the Company in respect of Formation Joint Costs and Expenses incurred by each of them pursuant to paragraph 6.1(a) of this Schedule 2, together with reasonable supporting information;

- (c) the Board of Managers shall then determine whether to approve any such statements in relation to Formation Joint Costs and Expenses, having due regard to the approval mechanics by the Steering Committee under the MOU; and
 - (d) upon approval of any Formation Joint Costs and Expenses, the relevant Shareholder shall issue an invoice to the other Shareholder in respect of that Shareholder's Ownership Interest share of such Formation Joint Costs and Expenses (as applicable).
- 6.2 All costs relating to travel, lodging, fees and salaries of employees and separate advisers of the Shareholders (other than the Bank), including the Steering Committee under the MOU, shall be borne by each Shareholder individually without right of recovery from the other Shareholder, and shall not constitute the Formation Joint Costs and Expenses.
- 6.3 Each Shareholder shall be entitled to set off against any amount payable by it under paragraph 6.1(d) of this Schedule 2 the amount of any invoice payable to it under paragraph 6.1(d) of this Schedule 2. All amounts payable to a Shareholder in accordance with paragraph 6.1(d) of this Schedule 2 shall be paid in U.S. Dollars to the Shareholder to whom payment is to be made within thirty (30) days of receipt of a valid original invoice.
- 6.4 Further contributions of goods and services by any Shareholder to the Company may be, at the sole discretion of the General Assembly, either: (i) transferred and converted into Shareholder Instruments; provided that immediately after any such transfer and conversion the other Shareholder(s) shall make any additional Shareholder Injection required to ensure that the Shareholders' respective percentage Ownership Interests are the same as they were immediately prior to such transfer and conversion; or (ii) invoiced to the Company, in each case, solely to the extent approved by the General Assembly in accordance with clause 7.3 and in accordance with the approved Formation Joint Costs and Expenses.

7. **Drilling Contract**

Without prejudice to the obligations of the Parties under clause 5 of this Agreement, the Parties recognize that the ability to obtain Third Party project financing for the purchase of the IK Manufactured Rigs is important to facilitating the economic success of the Company. Therefore, following the Effective Date and prior to Completion, the Parties shall work together in good faith to improve the form of the Drilling Contract to assist the Company in obtaining Third Party project financing from a reputable international source to meet the Company's payment obligations in respect of the purchase of IK Manufactured Rigs in accordance with the terms of this Agreement and the Rig Order Schedule.

8. **Saudi Aramco Shareholder**

Saudi Aramco intends to transfer and assign all of its Shareholder Instruments, and its entire interest in each Transaction Agreement to which Saudi Aramco is a party to, to a newly incorporated Saudi Aramco Qualifying Affiliate as soon as practicable after the Effective Date (and in any event, with an intended transfer date to occur prior to the Project Operations Date). The Parties acknowledge and agree that:

- (a) the provisions of clauses 16.1(a), 16.1(b), 16.3 and 16.6 shall not apply to such transfer; and
- (b) on notice from Saudi Aramco, each Shareholder shall, and shall cause the Company and each of its applicable Affiliates to, use best efforts to promptly take all such actions as are necessary to be taken by them to:

- (i) effect such transfer, including all acts required to render such transfer legally valid and enforceable under Applicable Law;
- (ii) restate (or amend and restate, if applicable) this Agreement as if that transferee were named in this Agreement in place of Saudi Aramco effective on and from the Effective Date; and
- (iii) at Saudi Aramco's election: (A) restate each other Transaction Agreement to which Saudi Aramco is a party as if that transferee were named in such agreements in place of Saudi Aramco effective on and from the Effective Date; or (B) novate each other Transaction Agreement to which Saudi Aramco is a party to such transferee,

provided that in the case of paragraphs (ii) and (iii) above, each Shareholder agrees that any amendments or amendment and restatements of this Agreement or any other Transaction Agreement shall, unless otherwise agreed unanimously by the Shareholders, only be amended to refer to the Saudi Aramco Qualifying Affiliate which has become a party thereto in place of Saudi Aramco.

9. Contracts with Third Parties

Once the Company is established, each Shareholder shall take appropriate action to (i) novate any contracts made between it or its Affiliates with Third Parties and solely related to the Business and (ii) obtain such assignments or consents, or take such other steps, as are needed to provide the Company with the benefit (and associated liabilities and obligations) of any such contracts which are related to both the Business and such Shareholders' or its Affiliates' operations or activities, in each case in accordance with the MOU to the Company or take other steps to transfer to the Company work requests or similar work performed by Third Parties related to the Business. For the avoidance of doubt, the costs of such contracts approved under the MOU incurred by each Shareholder in association with contracts entered into with Third Parties in relation to the Business shall be reimbursed by the Company.

SCHEDULE 3

CORPORATE STRATEGY

As part of the Business, the Shareholders shall cause the Company to, and the Company shall:

- (a) operate and manage owned and leased offshore drilling rigs in the Kingdom;
- (b) operate as a major offshore drilling contractor, including by owning and operating offshore drilling rigs to meet Saudi Aramco Customer's offshore drilling requirements, and to consider expanding the Business outside the Kingdom after the Company has met these requirements;
- (c) operate on a commercial basis with the Shareholders, realizing value for the Shareholders through the revenues and profits generated by the Business, rather than the extraction of value through provision of goods and services by the Shareholders to the Company, and always subject to clause 3.4;
- (d) once the Saudi Arabian Oil Company's offshore rig manufacturing joint venture (the **IK Manufacturing JV**) has been established, to purchase drilling rigs each year from the IK Manufacturing JV with a total purchase commitment of twenty (20) offshore drilling rigs as contemplated in Schedule 5;
- (e) achieve an offshore drilling rig fleet composition that will meet Saudi Aramco Customer's operational and market demand requirements, with each offshore drilling rig meeting or exceeding Saudi Aramco Customer and the Company's relevant requirements;
- (f) enter into a technical alliance agreement with the IK Manufacturing JV;
- (g) become a self-sustaining business within the Transition Period, except in relation to the funding required for the rig purchase commitments described in paragraph (d) of this Schedule 3. The agreed objective is for the Company to prepare for a transition away from the Services Agreement towards a Kingdom based service model during the Transition Period and with all services (within the scope of the Services Agreement) being provided by the Company or Third Party supplier(s) based in the Kingdom (or any combination thereof) in accordance with the Maximization of Local Content Policy; with the migration of such services commencing in 2020;
- (h) adhere to performance metrics set by Saudi Aramco Customer, as set out in the relevant Drilling Contracts;
- (i) not take part in the competitive bidding process that Saudi Aramco Customer runs for its offshore drilling services requirements, except to the extent permitted under clause 20.2;
- (j) create jobs in the Kingdom through localization of its supply chain and the proactive development of Saudi talent at all skill levels necessary to meet the Company's operational needs, to the extent commercially reasonable; and
- (k) offer compensation packages (as evidenced by total rewards surveys) for Saudi nationals that support the Company's financial targets, to encourage employment of Saudi nationals by the Company.

SCHEDULE 4

RIG CATEGORIES AND ENGAGEMENT

1. RIG CATEGORIES

- 1.1 The Company will, to the extent applicable, operate the following categories of drilling rigs:
- (a) drilling rigs contributed by a Shareholder to the Company (**Contributed Rigs**); provided that rigs under contract that are selected for contribution will only be contributed upon the earlier of expiration, termination or novation of such contracts and will be Managed Rigs (as defined below) until contributed;
 - (b) in-Kingdom manufactured drilling rigs purchased by the Company from the IK Manufacturing JV (the first 20 of such rigs, excluding any rigs which the Company acquires pursuant to a mandate under an Asset Transfer and Contribution Agreement, being **IK Manufactured Rigs**);
 - (c) drilling rigs owned a Shareholder but not contributed to the Company and not under contract to Saudi Aramco Customer, which may be leased and operated by the Company (**Leased Rigs**). To the extent that Saudi Aramco Customer requires drilling rigs in addition to these drilling rigs to be leased by the Company, then such rigs shall constitute Leased Rigs; and
 - (d) drilling rigs owned by a Shareholder that are under contract to Saudi Aramco Customer prior to 1 December 2015 will be managed by the Company until expiration of their associated drilling contracts (**Managed Rigs**), and at contract expiration and subject to prior agreement, Managed Rigs will be re-categorized as either Contributed Rigs, Leased Rigs or will exit the Company's fleet; provided that each of the Scooter Yeargain and the Hank Boswell will continue as a Managed Rig until October 1, 2018, notwithstanding the termination date of its current drilling contract, and will thereafter be contributed to the Company and re-categorized as Contributed Rig.
- 1.2 Each of the above rig categories will be operated by the Company in accordance with the principles set forth in paragraph 3 of this Schedule 4, which for Leased Rigs and Managed Rigs will be further detailed in the Rig Lease Agreements and Rig Management Agreement, as applicable.
- 1.3 In the event Rowan acquires a drilling contractor that has rigs contracted to Saudi Aramco, the Shareholders will mutually determine the treatment of such contracted rigs, always subject to the provisions of clause 20.2.

2. PRICING MECHANISM

- 2.1 Subject to paragraph 3.2(a) of this Schedule 4, the daily rig rates which will apply to all Company owned and operated rigs (other than Managed Rigs) shall be equal to the Benchmark (as defined below) less the Pricing Discount (as defined below) (the **Pricing Mechanism**). The Pricing Mechanism will be used to determine the renewal rates on the execution of each Drilling Contract for Company owned and operated rigs (other than Managed Rigs) (the **Renewal Rates**).
- 2.2 Saudi Aramco and Rowan will develop a pricing benchmark (**Benchmark**) to be used as a basis to determine daily rig rates less a discount, reflecting the following principles:
- (a) Rig Classes are set forth in Annex 1 to this Schedule 4;

- (b) a separate Benchmark for each Rig Class is calculated using data from IHS ODS Petrodata or awarded by Saudi Aramco Customer for two (2) markets. The first market (Saudi Aramco Fixtures) is specific to Saudi Arabia, consisting of Saudi Aramco-awarded new day rate fixtures for a specific Rig Class. For the avoidance of doubt, the day rates fixtures associated with Contributed Rigs or IK Manufactured Rigs subject to this Pricing Mechanism shall not be included in the Saudi Aramco Fixtures. The second market (Global Fixtures) will consist of all other new day rate fixtures in the international competitive market, excluding Norway and any other niche harsh environment market(s), for the specific Rig Class;
- (c) a Benchmark is calculated by taking the average of the set of fixtures from the preceding one hundred and eighty two (182) days from the time of contract renewal for both Saudi Aramco Fixtures and Global Fixtures for the specific Rig Class, weighted by fixture quantity from each market;
- (d) a Benchmark may be adjusted to take into account material variations of pricing based on rig age, specification, one-off factors such as mobilization, upgrades and other market variations as determined to be appropriate, etc.;
- (e) if the collection of fixture data for the Benchmark is disputed by a Shareholder prior to the setting of a Renewal Rate, such Shareholder shall state its objection and such disputed fixture data shall be validated and, if applicable, corrected, by an independent third party expert (to be appointed by the Parties or, failing such agreement within five (5) Business Days, to be appointed in accordance with the provisions of paragraph 5 of Schedule 8), with the remedies for errors within ten (10) Business Days of appointment; and
- (f) Renewal Rates shall not be set below the Price Floor Rate. For the purpose of this paragraph 2.2(f) of this Schedule 4, **Price Floor Rate** is the rate at which the Company realizes [**] net profit margin (excluding all non-cash charges, such as depreciation). OPEX, G&A, and other cash charges will be assumed to be the average of the previous Financial Year for similar rigs operated by the Company (as set out in the audited Financial Statements for such Financial Year). For the avoidance of doubt all capital expenditures incurred or expected to be incurred will not be included in determining the Price Floor Rate.

An example calculation is set forth in Annex 2 to this Schedule 4.

- 2.3 Except where otherwise agreed, the **Pricing Discount** will be [**] off the applicable Benchmark applied to all drilling contracts entered into between the Company and Saudi Aramco Customer.

3. RIG ENGAGEMENT

3.1 Initial contracts for Contributed Rigs

- (a) Upon contribution, the Company and Saudi Aramco Customer will enter into an initial three (3) year Drilling Contract for each Contributed Rig at rates to be agreed between the Company and Saudi Aramco Customer, which are consistent with the Pricing Mechanism.
- (b) In respect of the twelve (12) year period commencing at the end of the initial three (3) year Drilling Contract for a Contributed Rig, provided that: (i) such Contributed Rig has not exited the Company's fleet and continues to meet or exceed the technical and operational requirements of Saudi Aramco Customer; and (ii) Saudi Aramco and Rowan each hold an Ownership Interest

of at least twenty percent (20%), the Drilling Contract for such Contributed Rig will be renewed for subsequent three (3) year terms at rates which are consistent with the Pricing Mechanism.

- (c) The initial day rates for the Contributed Rigs will be as set out in the following table:

Rig	Initial day rate (USD)
SAR 201	79,500
SAR 202	195,000
GR38	69,000
Bob Keller	130,320
JP Bussell	130,320

3.2 Initial contracts for IK Manufactured Rigs

- (a) The Company and Saudi Aramco Customer will enter into an initial eight (8) year Drilling Contract for each IK Manufactured Rig (to commence once such rig has been delivered to the Company and has passed all quality and inspection tests and is capable of operating in accordance with Saudi Aramco Customer's technical and operational requirements) with a pricing mechanism that targets a full return of the Rig Costs with a daily rig rate, to be determined by the EBITDA Payback Model (as provided below), set to achieve EBITDA payback in [**] years.
- (b) The **EBITDA Payback Model** for each IK Manufactured Rig shall contain the following inputs that will be used to determine the New Build Day Rate (as defined below) for that IK Manufactured Rig during its first drilling operations contract:
- (i) New Build Day Rate: The daily rate that will achieve payback on investment over a [**] year period based on the single rig EBITDA for an IK Manufactured Rig.
- (ii) Rig Cost: provided that crew ramp up costs during the construction period and construction project management costs (for the purposes of this Schedule 4) shall in aggregate be capped as follows: (x) at [**] of the relevant Purchase Price in respect of the first IK Manufactured Rig of a particular class purchased by the Company; (y) capped at [**] of the relevant Purchase Price (regardless of when purchased in the rig purchase program) in respect of the second and third IK Manufactured Rigs of the particular class purchased by the Company; and (z) capped at [**] of the relevant Purchase Price (regardless of when purchased in the rig purchase program) in respect of all subsequent IK Manufactured Rigs of the particular class purchased by the Company.
- (iii) Rig Operating Expenses (OPEX): OPEX (excluding operating expenses paid for by Saudi Aramco Customer) will include the following:
- (A) offshore labor;
- (B) fringes;

- (C) repairs & maintenance;
- (D) training;
- (E) catering;
- (F) freight and duties;
- (G) rentals;
- (H) rig moves; and
- (I) all other direct rig operating costs (including, but not limited to, medics, travel, satellite communications, rig insurance, and any other goods and services procured at the direction of Saudi Aramco Customer pursuant to the Drilling Contract).

For the first IK Manufactured Rig that is acquired, the OPEX will be assumed to be the average of the previous Financial Year's OPEX for similar rigs operated by the Company (as set out in the books and records of the Company for such Financial Year). For any subsequent IK Manufactured Rig, OPEX will be based on the average of the previous Financial Year's OPEX for a similar rig (as set out in the audited Financial Statements for such Financial Year).

- (iv) Allocated Off-Rig OPEX General & Administrative Expenses (G&A): Expenditures of centralized functions not included in OPEX (above) will be allocated based on a percentage of overall revenue for all rigs operated by the Company. For the first IK Manufactured Rig that is acquired, the G&A will be assumed to be the average of the previous Financial Year's G&A for similar rigs operated by the Company (as set out in the books and records of the Company for such Financial Year). For any subsequent IK Manufactured Rig, G&A will be based on the average of the previous Financial Year's G&A for a similar rig (as set out in the audited Financial Statements for such Financial Year).
- (v) New Build Day Rate Utilization: [**].
- (vi) Inflation: [**] applied on an annual basis to the OPEX.
- (vii) Days in year: 365 days.

An example of the day rate calculation under the EBITDA payback model is set forth in Annex 3 to this Schedule 4.

- (c) In respect of the eight (8) year period commencing at the end of the initial eight (8) year Drilling Contract for an IK Manufactured Rig, provided that: (i) such IK Manufactured Rig continues to meet or exceed the technical and operational requirements of Saudi Aramco Customer; and (ii) Saudi Aramco and Rowan each hold an Ownership Interest of at least twenty percent (20%), the Drilling Contract for such IK Manufactured Rig will be renewed for subsequent three (3) year terms at rates which are consistent with the Pricing Mechanism.

3.3 Further contract renewals for Company owned rigs

- (a) In respect of Company owned rigs, and save as set forth in paragraphs 3.1 and 3.2 of this Schedule 4:
- (i) for so long as Saudi Aramco and Rowan each hold an Ownership Interest of at least twenty percent (20%) and the Company is meeting or exceeding all Performance Measures, Saudi Aramco agrees that it shall use commercially reasonable efforts to procure that Saudi Aramco Customer shall, when awarding new offshore drilling contracts, give preference to Company owned rigs; provided that the Company owns a rig which can, with the application of reasonable efforts and reasonable expenses: (i) taking into account the specification of such rig and the nature and scope of work to be performed, be mobilized within the required timeframe and perform the relevant drilling contract in a timely and efficient manner; and (ii) continue to meet or exceed the technical and operational requirements of Saudi Aramco Customer; and
 - (ii) any Drilling Contract awarded, renewed or extended in respect of a Company owned rig following the initial term of such rig shall be at a daily rig rate that is consistent with the Pricing Mechanism.
- (b) If, at any time, thirty percent (30%) or more of the Company owned rigs (excluding any Company owned rig: (i) whose relevant Drilling Contract has been terminated for cause; or (ii) which is not meeting or exceeding all technical and operational requirements of Saudi Aramco Customer) are not contracted by Saudi Aramco Customer pursuant to a Drilling Contract for a continuous period of six (6) months or more in circumstances where Saudi Aramco Customer continues to award offshore drilling contracts to Third Parties during such period in a manner which is inconsistent with the principle set forth in paragraph 3.3(a)(i) of this Schedule 4, then Rowan shall, provided it is not a Defaulting Shareholder, have an option to sell all (but not some only) of the Shareholder Instruments held by Rowan to Saudi Aramco in accordance with the provisions of clause 16.9. Notwithstanding any other provision of this Agreement, Rowan hereby acknowledges and agrees that its sole and exclusive remedy in respect of, in connection with, or resulting from, any Drilling Contracts not being awarded in respect of Company owned rigs in a manner which is consistent with the principles set forth in paragraphs 3.1, 3.2 and/or 3.3(a)(i) of this Schedule 4 (as applicable), shall be as set forth in this paragraph 3.3(b).

3.4 Leased Rigs

- (a) If Saudi Aramco drilling requirements exceed the Company's existing fleet capability, the Company may lease rigs from Rowan, it being understood that Rowan will have no obligation to any such rigs to the Company. The EBITDAR (as defined further below) associated with a Drilling Contract for a Leased Rig shall be apportioned with Rowan retaining [**] as the lease (bareboat charter) rate, and the Company retaining [**] as the operator. The Company and Saudi Aramco Customer will enter into Drilling Contracts at daily rig rates that, unless otherwise agreed, are consistent with the Pricing Mechanism.
- (b) The **Leased Rig Model** on a per rig basis will contain inputs, as defined below, to determine lease rates of rigs leased by the Company (lessee) from Rowan (lessor):
- (i) Lease Rate: A rate payable to the lessor from the related Drilling Contract revenue after taking into consideration the gains and losses associated with it (i.e. OPEX, G&A, capital expenditures, and pro-rated SPS cost, if any). The rate will be determined based on the following formula:

$$\text{Lease Rate} = (\text{Revenue} - \text{OPEX} - \text{G\&A}) \times [**]$$

- (ii) Revenue: Aggregate of the amounts received by the Company under the Drilling Contract over a Leased Rig contract period.
- (iii) Rig Operating Expenses (OPEX): As defined in paragraph 3.2(b)(iii) above, except that the Lease Rate will be excluded from “rentals” in part (G) of such definition.
- (iv) Allocated Off-Rig OPEX General & Administrative Expenses (G&A): Expenditures of centralized functions not directly associated with operations will be allocated based on a percentage of overall revenue for all rigs operated by the Company.

In the event that a Leased Rig requires (i) Maintenance Capex, such amounts shall be paid in full by the Company; or (ii) a special periodic survey and/or Enhancements and Upgrades, such amounts shall be paid in full by Rowan (other than to the extent any such Enhancements and Upgrades are paid for by Saudi Aramco Customer). For the purpose of this paragraph, **Enhancements and Upgrades** shall mean functional improvements to the rig that increase the operating ability of the rig as decided by the rig owner or demanded by the customer.

An example of the lease rate calculation under the Leased Rig Model is set forth in Annex 4 to this Schedule 4.

3.5 Managed Rigs

- (a) Following the Formation Date, the Company will manage and operate each Managed Rig on behalf of Rowan per the terms of Rowan's contract with Saudi Aramco Customer. Rowan will be liable for the offshore operating expenses of Managed Rigs, and will receive all earnings from the Managed Rigs in exchange for retaining liability under the drilling contract; however, the Company will retain [**] of total revenues of each Managed Rig as a management fee.
- (b) The Parties acknowledge that it is their intention that the management fee is to be set at a level so as to keep the Company whole in respect of any costs it may incur in managing a Managed Rig and, as at the Effective Date, the Parties' good faith estimate of such amount is equal to [**] of total revenues of each Managed Rig.

Annex 1**RIG CLASSES**

All Rig Classes reflect only independent leg cantilever jack-ups rated for a minimum 300' water depth.

1. **Older Standard Specification** (applies to SAR 201 and 116-C): Assets delivered in the year 1990 or earlier with a derrick rating of less than 2,000,000 pounds;
1. **Newer Standard Specification Rigs** (applies to New-Build IK Manufactured '2,000 HP' rigs): Assets delivered after the year 1990 with a derrick rating of less than 2,000,000 pounds; and
2. **Newer High Specification Rigs** (applies to SAR 202, Tarzan, 240-C, EXL, Super Gorilla, and New-Build IK Manufactured '3,000 HP' rigs): Assets delivered after the year 1990 with a derrick rating of at least 2,000,000 pounds.

From time to time, Rig Classes may be modified, or new Rig Classes may be added as market conditions change. This is permissible with the mutual agreement of the Shareholders. Consideration should be given to ensure that the number of data points for the new or modified Rig Class is sufficient to ensure a robust benchmark.

Every Contributed Rig or IK Manufactured Rig will be categorized in one of the above Rig Classes for the application of the Pricing Mechanism.

ANNEX 2

PRICING MECHANISM EXAMPLE

RigPoint Fixtures Data Download

Filters:
 Fixture Date Start >=12-Sep-2015
 Fixture Date End <=11-Mar-2016
 Rig Type Jackup
 Rig Water Depth >=300
 Fixture type Standard contracts, Options
 Day rate type Mutual
 Year In Service >=1991
 Derrick Capacity <=1990000

Global Market Fixtures				
Rig name	Country	Day rate	Fixture date	Type
Panuco	Mexico		14-Sep-2015	New mutual
La Santa Maria	Mexico	158,000	17-Sep-2015	New mutual
La Covadonga	Mexico	158,000	17-Sep-2015	New mutual
COSLSeeker	Indonesia	94,000	22-Sep-2015	New mutual
UMW Naga 8	Malaysia		1-Oct-2015	New mutual
COSLHunter	Mexico		21-Oct-2015	New mutual
GSF Constellation I	UAE	104,000	26-Oct-2015	New mutual
Aquamarine Driller	Thailand	80,000	12-Nov-2015	New mutual
El Qaher I	Egypt	110,000	17-Nov-2015	New mutual
Setty	Gabon	125,000	17-Nov-2015	Mutual renege
Soehanah	Indonesia		1-Dec-2015	New mutual
HAIYANGSHIYOU 931	China		6-Dec-2015	New mutual
HAIYANGSHIYOU 932	China		6-Dec-2015	New mutual
ENSCO 75	USA		14-Dec-2015	New mutual
Cantarell I	Mexico	130,000	15-Dec-2015	New mutual
Cantarell II	Mexico	130,000	15-Dec-2015	New mutual
Impetus	Mexico	130,000	22-Dec-2015	New mutual
Greatdrill Chitra	India	75,080	31-Dec-2015	New mutual
Deep Driller 2	Iran		1-Jan-2016	New mutual
Sapphire Driller	Equatorial Guinea	75,000	6-Jan-2016	New mutual
ENSCO 75	USA	45,000	12-Jan-2016	New mutual
El Qaher II	Egypt	110,000	27-Jan-2016	New mutual
COSLCraft	Iran		2-Feb-2016	New mutual
ENSCO 101	UK	100,000	15-Feb-2016	Mutual renege
ENSCO 104	UAE	95,000	16-Feb-2016	Mutual renege
Al-Jassra	Qatar		18-Feb-2016	New mutual
PV Drilling III	Vietnam		22-Feb-2016	New mutual
ENSCO 107	Australia	128,000	25-Feb-2016	New mutual
Sahar 2	Iran		29-Feb-2016	New mutual
PV Drilling VI	Vietnam		7-Mar-2016	New mutual
Average Global Fixture		108,652		(a)
Total Global Fixtures		17		(b)

Saudi Market Fixtures				
Rig name	Country	Day rate	Fixture date	Type
Sneferu	Saudi Arabia		17-Nov-2015	New mutual
West Callisto	Saudi Arabia	135000	24-Nov-2015	New mutual
West Callisto	Saudi Arabia	123000	24-Nov-2015	New mutual
Average Saudi Fixture		129,000		(c)
Total Saudi Fixtures		2		(d)

Benchmark Calculation				
Total Saudi + Global Fixtures	#		19	(e) - ((b) + (d))
Benchmark	\$ / day	110,794		(f) = (a) * (b) / (e) + (c) * (d) / (e)
Adjustments	\$ / day	6,000		(g)
Adjusted Benchmark	\$ / day	116,794		(h) = (f) + (g)
[**] Discount	\$ / day	[**]		(i) = [**] * (h)
Daily Rig Rate	\$ / day	[**]		(j) = (h) - (i)

NOTES

- This example assumes that the daily rig rate is calculated for a 'Newer Standard Specification Rig', as of March 11, 2016.
- For certain fixtures, the day rate will be unavailable from IHS ODS Petrodata. These fixtures are indicated by a blank in the 'day rate' field. These fixtures are excluded from the calculations.
- This example includes a \$6,000 per day adjustment, which takes into account for the rig of interest material variations of pricing based on rig age, specification, one-off factors such as mobilization, upgrades and other market variations as determined to be appropriate, etc.

ANNEX 3
DAY RATE EXAMPLE

[**]

ANNEX 4
LEASED RIG MODEL

Example Financial Model

Revenue	\$'000/Year	68,328 (h) = (a) x (d) x (e)
Opex	\$'000/Year	20,075 (i) = (b) x (d)
G&A	\$'000/Year	3,650 (j) = (c) x (d)
EBITDAR	\$'000/Year	44,603 (k) = (h) - (i) - (j)
Bareboat charter fee to Rowan	\$'000/Year	[**] (m) = (k) x (f)
EBITDA	\$'000/Year	[**] (n) = (k) - (m)

SCHEDULE 5

IK MANUFACTURING JV

1. The Shareholders agree and shall take all steps necessary to ensure that the Company enters into, and the Company shall enter into:
 - (a) rig purchase agreements with the IK Manufacturing JV (together with related agreements (as appropriate) with Persons (other than the IK Manufacturing JV) in connection with the manufacture, supply, delivery and/or installation of plant and equipment (including spares, handling tools, tubulars, Schedule G compliance items) to purchase at least twenty (20) offshore IK Manufactured Rigs, such purchases to be spread as evenly as possible over a ten (10) year period commencing from the date the IK Manufacturing JV achieves commercial operations and is capable of accepting orders for new rigs and otherwise, but not earlier than, in accordance with the Rig Order Schedule; and
 - (b) technical alliance agreements with the IK Manufacturing JV to support the IK Manufacturing JV's operations.
2. The Company shall ensure that any payments to the IK Manufacturing JV in respect of an IK Manufactured Rig before delivery do not exceed [******] of the portion of the Purchase Price payable to the IK Manufacturing JV.
3. The Shareholders agree and shall take all steps necessary to ensure that the Company procures, and the Company shall procure, its drilling rig maintenance, repair and overhaul (**MRO**) services from the IK Manufacturing JV (once established), provided that such MRO services are competitive from a total cost perspective with other MRO providers operating in the Kingdom, and are delivered in a timely and efficient manner.
4. In addition, Rowan or one (1) of its Affiliates will commit to purchase at least six (6) offshore drilling rigs from the IK Manufacturing JV to fulfill its out-of-Kingdom requirements, provided that:
 - (a) Rowan intends to purchase rigs;
 - (b) the rigs produced by the IK Manufacturing JV are fit for purpose for the markets in which Rowan competes; and
 - (c) the rigs are competitive from a total cost of ownership perspective.

SCHEDULE 6
COMMITMENT AMOUNTS

Shareholder	Formation & Contribution Commitment Amount (A)	New Build Rig Capital Commitment Amount (B)	Commitment Amount (C)
Saudi Aramco	USD 665,250,000	USD 1,250,000,000	USD 1,915,250,000
Rowan	USD 665,250,000	USD 1,250,000,000	USD 1,915,250,000
Total	USD 1,330,500,000	USD 2,500,000,000	USD 3,830,500,000

The Formation & Contribution Commitment Amounts of the Shareholders as set forth in Column (A) of the table above will be funded and/or contributed in accordance with the provisions of paragraph 4 of Schedule 2 and the Asset Transfer and Contribution Agreements in accordance with the schedule set forth below:

Funding Date	Saudi Aramco		Rowan	
Formation Date	USD 25,000,000	Cash	USD 25,000,000	Cash
Not earlier than January 1, 2017	USD [**]	SAR 201, SAR 202,cash	USD [**]	JP Bussell, Gilbert Rowe, Bob Keller
Not earlier than January 1, 2017	USD [**]	Inventory, cash	USD [**]	Inventory
Not earlier than October 1, 2018	USD [**]	Cash	USD [**]	Scooter Yeargain
Not earlier than October 1, 2018	USD [**]	Cash	USD [**]	Hank Boswell
Total	USD 665,250,000		USD 665,250,000	

- The Formation & Contribution Commitment Amount set forth in Column (A) in the first table above and the contributions of the Shareholders in respect of inventory (and, in the case of Saudi Aramco, cash) set forth in row 3 of the second table above shall be adjusted, as necessary, to reflect the Asset Contribution Value of Non-Rig Inventory (each as defined in the Asset Transfer and Contribution Agreements) as determined in accordance with paragraph 2 of Schedule 1 of the Saudi Aramco Asset Transfer and Contribution Agreement and paragraph 2 of Part 2 of Schedule 1 of the Rowan Asset Transfer and Contribution Agreement.
- The New Build Rig Capital Commitment Amount set forth in Column (B) in the first table above, subject to paragraph 3 (below), represents the maximum aggregate amount of Shareholder Injections required (not taking into account any Third Party debt financing and/or Available Cash) to ensure the

Company has sufficient funds for the Rig Costs in respect of the purchase of the IK Manufactured Rigs as required by Schedule 5.

3. The Shareholders agree that (i) no Shareholder will be required to make Shareholder Injections to fund the Company's acquisition of IK Manufactured Rigs prior to the delivery of the first IK Manufactured Rig (other than in respect of deposits or payments of up to [**] of the Rig Cost of any IK Manufactured Rig ordered on or after January 1, 2018), and (ii) from and after the delivery of the first IK Manufactured Rig, no Shareholder will be required to make Shareholder Injections to fund the delivery of more than three (3) IK Manufactured Rigs during any twelve (12) month period.
4. Save in respect of the delivery of the first IK Manufactured Rig which is purchased (in whole or in part) using Third Party debt financing, each time an IK Manufactured Rig is delivered, without regard to whether such rig is purchased with debt, equity, retained earnings or a combination of debt, equity and retained earnings, each Shareholder's Commitment Amount will be reduced by an amount equal to the lesser of (a) the Rig Cost of the IK Manufactured Rig and (b) USD 250,000,000, less such amount of the applicable Rig Cost that was funded by Shareholder Injections into the Company, multiplied by the relevant Shareholder's Ownership Interest.
5. If, at any time, thirty percent (30%) or more of the Company owned rigs (excluding any Company owned rig: (i) whose relevant Drilling Contract has been terminated for cause; (ii) which is not meeting or exceeding all technical and operational requirements of Saudi Aramco Customer; or (iii) which cannot be mobilized within the timeframe required by Saudi Aramco Customer) are not contracted by Saudi Aramco Customer pursuant to a Drilling Contract for a continuous period of six (6) months, the Shareholders agree to defer purchases of IK Manufactured Rigs, without regard to whether such rig is purchased with cash originating from debt, equity, retained earnings or a combination of debt, equity and retained earnings, until such time as each such Company owned rig is subject to a Drilling Contract in respect of which the Company is generating revenue. For the avoidance of doubt, this provision will not apply to any IK Manufactured Rig for which construction is already in progress, (i.e., the initial deposit has been paid).

SCHEDULE 7

PERFORMANCE MEASURES

Part 1

The Management Team shall, as soon as practicable after the Formation Date, negotiate in good faith with Saudi Aramco Customer to establish appropriate performance indicators for the Company (such agreed indicators being the **Performance Measures**). The following Performance Measures are illustrative only.

1. PERFORMANCE MEASURES

1.1 The Shareholders agree that the following are appropriate key Performance Measures for the Company:

- (a) **HSE:** The Company is expected to be a world class service provider with an outstanding HSE record and, in particular, should maintain a HSE record which is, for the first two years after the Project Operations Date, at or above the [**] percentile, and improving [**] per year thereafter until such time as it is at or above the [**] percentile, of offshore drilling operators operating in the Kingdom. For the purpose of measuring such performance, Saudi Aramco shall provide quarterly benchmarked HSE results for all offshore drilling operators operating in the Kingdom.
- (b) **Operating Efficiency :** The Company is expected to be a world class service provider with an outstanding operating efficiency and, in particular, should perform, for the first two years after the Project Operations Date, at or above the [**] percentile, and improving [**] per year thereafter until such time as it is at or above the [**] percentile, of offshore drilling operators operating in the Kingdom as measured by a drilling performance index (**Drilling Performance Index**) to be agreed amongst the Parties prior to the Project Operations Date. For the purpose of measuring such performance, Saudi Aramco shall provide quarterly benchmarked results for the agreed Drilling Performance Index.

The Drilling Performance Index to be agreed amongst the Parties may be based on the following inputs:

- (i) **Rig Lost Time (%Rig LT/OT) :** amount of rig related lost time as percentage of the operating time of the rig.
- (ii) **Inefficiency Lost Time (%ILT/OT) :** difference between actual operation duration and predefined Flat time KPI targets as a percentage of the operating time of the rig (Flat time, Tripping, Casing running, BOPEs, Wellhead work).
- (iii) **Footage per Day (FT/D) :** amount of footage drilled per day,

and calculated as follows:

$$DPI[\%] = \{WF[\%] \cdot DoA[\%] / ILT\} + \{WF[\%] \cdot DoA[\%] / LT\} + \{WF[\%] \cdot DoA[\%] / FT/D\}$$

where:

- (A) **DPI** = Drilling Performance Index [%];

- (B) **WF** = Weighting Factors [%];
- (C) **DoA** = Degree Of Achievement [%];
- (D) **ILT** = Inefficiency Lost Time;
- (E) **LT** = Rig related Lost Time; and
- (F) **FT/D** = Drilled Footage per Day.

1.2 To ensure such HSE performance, the Management Team shall, at a minimum:

- (a) promote strong adherence to the HSE policy described in Part 2 to this Schedule 7 (**HSE Policy**), procedural discipline, stop work authority, job risk assessments and control of work. The Company's goal is to achieve, at a minimum, **[**]** compliance with the HSE Policy; and
- (b) develop and update its training matrices to support a competent and well-trained work force. Senior rig crew positions will maintain **[**]** compliance with Tier 1 training requirements.

1.3 To ensure such operational efficiency the Management Team shall, at a minimum:

- (a) work closely with Saudi Aramco Customer (including the Drilling & Workover Department and Reservoir Engineers) to capitalize on emerging technology and enhance overall well deliveries;
- (b) maintain rigs in a safe and good working order, monitor repair cost, inventory and spare parts levels; and
- (c) promote a culture of awareness and incentives for employees to maximize the Drilling Performance Index.

1.4 In addition to the foregoing, Saudi Aramco Customer shall work diligently and in good faith with the Company to incorporate new technologies, procedures, functionalities, and systems on the Rigs as they become available and/or are developed by the Company.

2. UNDERPERFORMING ACTIONS AND CONSEQUENCES

2.1 If the Company fails to meet a Performance Measure in two (2) consecutive quarters or four (4) quarters in any two (2) year period, a mitigation plan which sets forth the actions to be taken to increase performance to meet or exceed the relevant Performance Measure shall be developed by the Management Team and submitted to the Board of Managers for approval

2.2 If the Company continues to fail to meet the relevant Performance Measure six months following approval by the Board of Managers of the relevant mitigation plan, the Board of Managers shall consider and, if appropriate, implement such alternative steps as its deems necessary to improve performance, which may include changing members of the Management Team (subject to the Shareholders' appointment rights in clause 8.6).

Part 2

1. HSE POLICY

- 1.1 The Board of Managers shall, as soon as practicable after the Formation Date, establish a robust, coherent, integrated HSE policy, with the primary focus of continual improvement as well as the protection of workers from hazards and the elimination of work-related injuries, ill health, diseases, incidents and deaths. The HSE Policy will outline management's responsibility for the protection of workers, the public, and the environment and will serve as the framework for success in HSE.
- 1.2 The HSE Policy shall include the following fundamental principles:
- (a) compliance with local legislation and international standards;
 - (b) integration of pollution prevention into the decision making process at every hierarchical level of the Company;
 - (c) outlining the organizational structure and delegations of authority in respect of HSE;
 - (d) commitment towards HSE as well as working conditions;
 - (e) the establishment of effective internal and external HSE communication protocols;
 - (f) sufficient and effective workplace precautions to prevent harm to people at the point of risk;
 - (g) effective risk management controls and appropriate methodology for identifying, analyzing and evaluating risks (including risk analysis for specific operations and job functions);
 - (h) preventive measures and protective equipment;
 - (i) emergency organization and emergency protocols;
 - (j) position related requirements and training;
 - (k) recording and monitoring of skills training;
 - (l) procurement of goods and services – negotiation of contracts;
 - (m) assessment and monitoring of sub-contractors and suppliers;
 - (n) inspections of workplaces and facilities as well as checks on equipment reliability;
 - (o) recording and reporting of accidents and incidents;
 - (p) internal recording, analysis and investigation of accidents, incidents and near misses;
 - (q) processing of observations made by the advisory and inspection bodies;
 - (r) lessons learned;
 - (s) HSE performance monitoring;
 - (t) follow-up activities and corrective actions; and

- (u) HSE achievement and recognition.
- 1.3 The Board of Managers shall also establish lagging and leading key performance indicators (KPIs) related to its performance against the HSE Policy which is to be based on Saudi Aramco and international benchmarks.
- 1.4 The Company shall monitor and report on various HSE aspects including:
- (a) **Environmental** : Land, waste, spills, air, water and energy consumption.
 - (b) **Health and Safety** :
 - (i) Fatalities by incident category and activity.
 - (ii) Lost time injury frequency (LTIF).
 - (iii) Total recordable injury rate (TRIR).

SCHEDULE 8**FAIR PRICE**

1. The Fair Price will be the value which the Independent Valuator states in writing to be in its opinion the fair value of the Shareholder Instruments concerned on a sale as between a willing seller and a willing buyer. For the purposes of determining the Fair Price, the relevant Shareholders must instruct the Independent Valuator to conduct the valuation on the following basis:
 - (a) in accordance with valuation standards, practices and principles of the International Valuations Standards Council (**IVSC**);
 - (b) using the IVSC definition of "fair value" to determine the Fair Price;
 - (c) having regard to the rights and restrictions attached to the Shareholder Instruments in respect of income, capital and voting but disregarding any other special rights or restrictions attached to those Shareholder Instruments;
 - (d) assuming that a reasonable time is available in which to sell the Shareholder Instruments in an open market (and for that purpose ninety (90) Business Days is considered a reasonable time);
 - (e) if the Company is then carrying on business as a going concern, assuming that it (and any of its Subsidiaries at that time) will continue to do so;
 - (f) subject to the above, on any basis the Independent Valuator considers appropriate; and
 - (g) the Fair Price must be expressed as a single amount and not as a range of values.
2. The Company must promptly provide, and must procure that each Subsidiary promptly provides, to the Independent Valuator access to all facilities, books, records, documents, information and personnel necessary to make a fully informed determination in an expeditious manner.
3. The Shareholders may, within twenty (20) Business Days of the Independent Valuator's appointment, make written submissions and/or send documents to the Independent Valuator. The Independent Valuator must send copies of one Shareholder's submissions to the Company and to the other Shareholder for comment.
4. The Independent Valuator must be engaged to act on the following basis:
 - (a) the Independent Valuator must act as expert and not as arbitrator;
 - (b) the terms of reference of the Independent Valuator must be as set out in paragraph 1 of this Schedule 8;
 - (c) the Independent Valuator is entitled (to the extent it considers it appropriate) to base its determination on the information provided under paragraph 2 of this Schedule 8, any written submissions made under paragraph 3 of this Schedule 8 and on the accounting and other records of the Company;
 - (d) the Independent Valuator must be instructed to deliver its determination of the Fair Price as soon as reasonably practicable and in any event within forty (40) Business Days of its

appointment or, if later, within thirty (30) Business Days after receipt of written submissions under paragraph 3 of this Schedule 8;

- (e) the determination of the Independent Valuator will (in the absence of fraud or manifest error) be final and binding on the Shareholders and may not be challenged or appealed; and
 - (f) the costs of determination, including fees and expenses of the Independent Valuator (but excluding the Shareholders' own costs, which must be borne by the party incurring those costs), must be borne:
 - (i) by the Defaulting Shareholder or Acquired Shareholder (as appropriate); or
 - (ii) equally between the Shareholders in all other cases where the determination of the Fair Price is required under the Agreement.
5. In the event the Shareholders are not able to reach an agreement regarding the appointment of the Independent Valuator within thirty (30) days of any dispute which has arisen regarding the Fair Price, the Independent Valuator shall be appointed by the ICC International Centre for ADR in accordance with the Rules for the Appointment of Experts and Neutrals of the International Chamber of Commerce. The Independent Valuator shall not be an accounting firm or investment bank that is affiliated with or associated with, or routinely retained by any Shareholder or any of its Affiliates, who by reason of such an association are ineligible to serve as the Independent Valuator.
 6. The Independent Valuator, once appointed, shall have no ex parte communications with any of the Shareholders. The Shareholders agree to cooperate fully with the Independent Valuator and provide the Independent Valuator with access to all facilities, books, records, documents, information and personnel necessary to make a fully informed decision in an expeditious manner.
 7. All proceedings before the Independent Valuator shall be conducted in the English language and all documents submitted in connection with such proceeding shall be in the English language or, if in another language, accompanied by a translation.
 8. Before issuing a final decision (**Decision**), the Independent Valuator shall issue a draft report to the Shareholders within sixty (60) Business Days from the appointment of the Independent Valuator or such other period as the Shareholders shall agree. The Shareholders shall have the right to comment on the draft report within ten (10) Business Days of its issuance.
 9. A Decision shall be final and binding on the Shareholders, save in the case of fraud or manifest error. Any Shareholder that wishes to challenge a Decision must commence arbitration in accordance with Schedule 9 within thirty (30) Business Days of its receipt of the Decision and set forth one (1) or more of the limited grounds set forth in this paragraph 9 as the basis for its challenge in its request for arbitration, failing which the Decision shall be final and binding.
 10. Except in the event of a challenge to the Decision in accordance with paragraph 9 of this Schedule 8, each Shareholder shall give effect to the Decision as of the fifth (5th) Business Day of its receipt of the Decision, including paying any amount payable as a result of the Decision. If the amount payable as a result of the Decision is not so paid, interest will accrue on that amount at the rate of LIBOR plus two percent (2%) per annum.
 11. The Independent Valuator shall have power to fix the reasonable amount of fees and expenses in connection therewith and they shall be borne in equal shares between the Shareholders.

SCHEDULE 9

DISPUTE RESOLUTION PROCEDURES

1. Any dispute, controversy or claim arising under, out of or in connection with this Agreement, including any question regarding its existence, validity, breach or termination (a **Dispute**), shall be submitted to negotiation between the Shareholders involved in the Dispute, provided that the following shall not be included in the definition of Disputes and shall not be subject of these Dispute Resolution Procedures:
 - 1.1 a dispute relating to the amount of dividends to be distributed (as contemplated in Schedule 10);
 - 1.2 a dispute relating to the approval of a Business Plan (as contemplated in clause 9.3); and
 - 1.3 a dispute relating to the determination of the Fair Price (as contemplated in clause 17.3), which such dispute shall be referred to an Independent Valuator, whose calculations shall be binding, prior to the instigation of any arbitration proceedings.
2. If any Dispute has not been resolved by such negotiation within sixty (60) Business Days from the date on which one (1) or more Shareholders receive written notification from another Shareholder that a Dispute exists, then such Dispute shall be referred to and finally resolved by binding arbitration under the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) as currently in force (the **Rules**), which Rules are deemed to be incorporated by reference into this Schedule 9.
3. There shall be three (3) arbitrators. The claimant(s) shall nominate one (1) arbitrator with the Request for Arbitration. The respondent(s) shall nominate one (1) arbitrator with the Response, and the two (2) party-appointed arbitrators shall jointly nominate the third (who shall be the chairperson) within thirty (30) Business Days after the confirmation of the second arbitrator. If any of the arbitrators are not nominated within these deadlines, the LCIA shall, at the written request of any party to the arbitration, make the appointment in accordance with the Rules. Upon appointment in accordance with this paragraph 3 of this Schedule 9, the three (3) arbitrators shall constitute the **Tribunal** .
4. The Shareholders expressly agree that, if there is more than one (1) claimant party and/or more than one (1) respondent party to the arbitration, paragraph 3 of this Schedule 9 will apply, provided that the claimant parties shall jointly nominate one (1) arbitrator and the respondent parties shall jointly nominate one (1) arbitrator. In the absence of such a joint nomination and where all parties to the arbitration are unable to agree on a method for the selection of the arbitrators, and notwithstanding that one (1) or more arbitrators may already have been nominated, the three (3) arbitrators shall be appointed by the LCIA Court, which shall designate which one (1) of such arbitrators shall act as chairperson of the Tribunal.
5. The seat or legal place of the arbitration proceedings shall be in the Dubai International Financial Centre, located in Dubai, United Arab Emirates, and the language of the arbitration shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation.
6. Any award rendered in the arbitration shall be final and binding on the Shareholders and judgment upon the award may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The award shall not be subject to appeal. For the avoidance of doubt, the Shareholders agree that no Shareholder shall have the right to apply or appeal to a court of another jurisdiction. The Tribunal shall have the right and authority to grant injunctive, declaratory and other equitable relief.

7. The Shareholders irrevocably waive any claim to any damages in the nature of punitive or exemplary damages in excess of compensatory damages, and the Tribunal is specifically divested of any power to award such damages.
8. The Shareholders agree that the documents which start any proceedings relating to a Dispute and any other document required to be served in relation to those proceedings may be served in accordance with clause 25.4. These documents may, however, be served in any other manner allowed by Applicable Law.
9. The provisions of these Dispute Resolution Procedures are without prejudice to the Shareholders' rights to apply to any competent judicial authority for interim or conservatory measures.

SCHEDULE 10**DIVIDEND POLICY**

1. In accordance with the Companies Law, the Company shall annually set aside ten percent (10%) of its net profits as a statutory reserve, until the Shareholders resolve to cease such deductions after the statutory reserve reaches an amount equivalent to thirty percent (30%) of the Authorized Capital.
2. After establishing any legal reserves as required by Applicable Law and taking into consideration all current and future operational and capital requirements of the Company as per the Business Plan and/or Long Range Plan and the requirements of any Third Party debt financing and Subordinated Shareholder Loans, to the extent permissible under Applicable Law, all the remaining available free cash shall be available for distribution as dividends to the Shareholders in proportion to their respective Ownership Interests. Dividend distributions shall be made in accordance with the recommendation of the Board of Managers and prior approval of the General Assembly as specified in this Agreement, after deduction of the Shareholders' respective Zakat and any income tax liabilities and withholding tax on such dividends.
3. In the event that the Shareholders do not agree on the amount of the dividends to be distributed (or if any dividends should be distributed) during a resolution of the General Assembly, and if this disagreement is not resolved by negotiation between the Shareholders within fifteen (15) Business Days from the date when the decision could have been made but was not made because of such disagreement, the Company shall distribute dividends in accordance with the lowest amount of such dividends proposed by any Shareholder.

SCHEDULE 11

MAXIMIZATION OF LOCAL CONTENT POLICY

1. Saudization

1.1 **Saudization** shall mean a national policy of the Kingdom, whereby the Company shall endeavor to maximize the utilization of **Qualified** Saudi contractors and material suppliers, during the construction phase of the Business, as well as all throughout the on-going operations of the Business that provide performance standards, price, quality, technical expertise and time of delivery as determined by the Board of Managers of the Company. In addition, the Company shall give priority to **Qualified** Saudi citizens over citizens of other countries in matters of recruitment and employment.

2. Saudization Implementation, Strategy and Time Frame

2.1 Subject to, at all times, higher Saudization levels mandated by Applicable Law, the Company's target will be to have eighty percent (80%) of its entire workforce consisting of Saudi citizens, within five (5) Years of the Project Operations Date.

2.2 At a minimum, all requirements of Applicable Law as applicable to the Company regarding Saudi content shall be adhered to by the Company.

3. Meaning of "Qualified" and Priority

3.1 **Qualified** shall be defined by reference to the following characteristics:

- (a) demonstrated and relevant qualifications, technical skills and capacity to provide services;
- (b) relevant and satisfactory employment experience or history; and
- (c) demonstrated attitude, behavior and motivation to work under the guidance of the Management Team of the Company.

3.2 Any **candidate**, Saudi or otherwise, who possesses these characteristics, at the time of selection, will be considered as **Qualified**.

3.3 Saudi **citizens** possessing all these characteristics will be given preference in selection and development.

3.4 Non- **Saudis** possessing all these characteristics will be employed or retained only if **Qualified** Saudi citizens cannot be identified.

The above criteria shall apply as a guideline to all positions in the Company, whether managerial, skilled or otherwise, as well as with respect to the award of contracts for services.

4. Training Following Selection

4.1 With respect to employees, the training and development will be geared to the level of skill required of incoming employees; however, basic skills shall be assumed as part of the selection criteria. As such, all employees will receive core curriculum training suited to their respective disciplines which will cover the following areas, at a minimum:

- (a) Safety Training;

- (b) Technical/Functional Training;
- (c) High Performance Skills Training; and
- (d) Policies and Procedures of the Company.

4.2 Employees will not be trained to have the requisite aptitude, values, motivation and attitude. This will be considered a condition of employment. However, further development of skills that enable employees to work effectively and better understand the Company's approach, policies and procedures as developed by the Management Team will be provided to all as an enhancement program and shall be based on monitoring and identifying those areas that require further development.

SCHEDULE 12

FORM OF AGREEMENT OF SHA ADHERENCE

Date: [Address]
 [Names of current Shareholders]
 [Name of Company]
 (together, the **Continuing Parties**)
 [Name of new Shareholder] (the **New Shareholder**)

The New Shareholder intends to become a Shareholder of Saudi Aramco Rowan Drilling Company, a limited liability company organized under the laws and regulations of the Kingdom of Saudi Arabia (the **Company**), and hereby agree with the Continuing Parties to comply with, and be bound by, all of the provisions of the Shareholders' Agreement, dated as of [●] 2016 (the **Shareholders' Agreement**), by and between [*list parties at date of adherence*] (a copy of which has been delivered to the New Shareholder and which the New Shareholder has initialled and attached to this Agreement of SHA Adherence for identification) in all respects as if the New Shareholder were a party to that Shareholders' Agreement and were originally named in it as a Shareholder in place of [*name of transferring Shareholder*].

In addition, the New Shareholder hereby warrants to each of the Continuing Parties on the date hereof as follows:

- (a) the New Shareholder is duly organized, validly existing and in good standing under the respective laws of the jurisdiction in which it is organized;
- (b) the New Shareholder has all requisite power and authority to enter into the Shareholders' Agreement and to perform the obligations contemplated thereby;
- (c) the execution and delivery of this Agreement of SHA Adherence and the Shareholders' Agreement and the performance hereof and thereof have been duly authorized by all necessary action on the part of the New Shareholder;
- (d) each of this Agreement of SHA Adherence and the Shareholders' Agreement constitutes the legal, valid and binding obligations of the New Shareholder, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law);
- (e) the New Shareholder has the capacity under the laws of its country of incorporation to agree to the choice of law and dispute resolution provisions set forth in the Shareholders' Agreement, and such choice of law and dispute resolution provisions are enforceable against it under the laws of its country of incorporation;
- (f) neither the execution and delivery of this Agreement of SHA Adherence or the Shareholders' Agreement nor the performance hereof or thereof will violate, conflict with, or result in a breach of any law or provision applicable to the New Shareholder's organizational documents or any agreement, document or instrument to which it is subject or by which it or its assets are bound or require the consent or approval (if not already obtained) of any shareholder, partner, equity holder, holder of indebtedness of it or any other applicable person, or contravene or result in a breach of or default under or the creation

of any Encumbrance upon any property under any constitutive document, indenture, mortgage, loan agreement, lease or other agreement, document or instrument to which it is a party; and

- (g) the New Shareholder agrees to be bound by [*insert details re the most recent Business Plan and Long Range Plan with respect to the funding obligations of each Shareholder*].

The New Shareholder agrees to give written notice to the other Shareholders if any of the warranties made by it in this Agreement of SHA Adherence should prove to have been incorrect, incomplete or misleading.

The Continuing Parties undertake to the New Shareholder to observe and perform all the provisions and obligations of the Shareholders' Agreement applicable to or binding on such party under the Shareholders' Agreement as they fall to be observed or performed on or after the date of this Agreement of SHA Adherence and acknowledge that the New Shareholder shall, save where expressly provided otherwise, be entitled to the rights and benefits of the Shareholders' Agreement as if the New Shareholder were named in the Shareholders' Agreement in place of [*name of transferring Shareholder*].

IN WITNESS WHEREOF each of the parties has executed this Agreement of SHA Adherence on the date stated above.

[New Shareholder]

By:

SCHEDULE 13
FORM OF FUNDING NOTICE

[DATE]

Saudi Aramco Development Company
Saudi Aramco Al Midra Building, RM E-907A
Dhahran, 31311
Kingdom of Saudi Arabia
Attn: VP New Business Development

Rowan Rex Limited
2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056
Attn: Rowan Legal

Re: Funding of Capital to Saudi Aramco Rowan Drilling Company

Ladies and Gentlemen:

Reference is hereby made to the Shareholders’ Agreement, dated as of [●], 2016, between Saudi Aramco Development Company and Rowan Rex Limited (the **Shareholders’ Agreement**). Capitalized terms not otherwise defined shall have the meaning ascribed to them in the Shareholders’ Agreement.

Pursuant to Section [5.1(c)][5.2] of the Shareholders’ Agreement, you are advised, as a Shareholder of the Company, that Shareholder Injections are required in order to meet the Company’s capital requirements in the aggregate amount of \$[●] (the **Requested Amount**).

You are hereby requested to contribute, in the form of cash or cash equivalents, the amount of \$[●] (which represents the portion of the Requested Amount that corresponds to your Ownership Interest as of the date of this notice) on or before [DATE]. In exchange for your contribution, you will be issued Subordinated Shareholder Loans and/or Shares in the Company as set forth in Exhibit A hereto.

SAUDI ARAMCO ROWAN DRILLING COMPANY

By: —

Name:
Title:

¹ Note: If the Funding Notice relates to funding of the acquisition of an IK Manufactured Rig, each Shareholder will contribute 50% of the Requested Amount pursuant to clause 5.4(b)(i) of the Shareholders’ Agreement.

² Note: To be the date which is 40 Business Days after the date of the Funding Notice pursuant to clause 5.4(b) of the Shareholders’ Agreement.

Exhibit A

Shareholder	Ownership Interest	Amount Due	Subordinated Shareholder Loans	Shares
Saudi Aramco Development Company	[●]%	[\$ ●]	[\$ ●]	[●]
Rowan Rex Limited	[●]%	[\$ ●]	[\$ ●]	[●]
Total:	100.00%	[\$ ●]	[\$ ●]	[●]

SCHEDULE 14

FORM OF ROWAN GUARANTEE

THIS GUARANTEE (this **Guarantee**) is made as a deed poll on [●], 2016;

BY :

- (1) **ROWAN COMPANIES PLC**, a public limited company organized under the laws of England and Wales (together with its legal successors and permitted assigns, hereinafter referred to as the **Guarantor**);

in favour of:

- (2) **SAUDI ARAMCO DEVELOPMENT COMPANY** , a limited liability company incorporated and registered in the Kingdom with commercial registration number 2052002216 and with its registered office at P.O. Box 500, Dhahran, 3131, the Kingdom (together with its legal successors and permitted assigns, hereinafter referred to as **Saudi Aramco**);
- (3) **SAUDI ARAMCO ROWAN DRILLING COMPANY** , a limited liability company to be organized under the laws and regulations of the Kingdom of Saudi Arabia having its head office in The Kingdom (the **Company**),

(the Company and Saudi Aramco, each a **Guaranteed Party** and together the **Guaranteed Parties** , and together with the Guarantor, the **Parties** and each, a **Party**).

RECITALS:

- (A) Saudi Aramco Development Company and Rowan Rex Limited executed a shareholders' agreement dated the date hereof (as amended and restated, supplemented or otherwise modified from time to time, the **Shareholders' Agreement**);
- (B) The Guarantor owns, directly or indirectly, one hundred percent (100%) of the equity interests of each Subsidiary Shareholder;
- (C) As contemplated in the Shareholders' Agreement, and as a condition to the Guarantor holding its Shares in the Company indirectly through its wholly-owned Subsidiary Shareholder, the Guarantor has agreed to guarantee the payment and performance of the Subsidiary Shareholder's obligations under (and/or arising in connection with) the Shareholders' Agreement and the other Transaction Agreements to which the Subsidiary Shareholder is a party on the terms set out in this Guarantee; and
- (D) The Guarantor hereby agrees that the giving of this Guarantee is for the commercial benefit of the Guarantor.

NOW THEREFORE it is hereby agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Except as otherwise expressly provided in this Guarantee, capitalised terms used in this Guarantee shall have the meanings given to them in the Shareholders' Agreement. In this Guarantee, unless the context otherwise requires, the following terms shall have the following meanings:

Default shall bear the meaning set out in paragraph 2.3;

Demand shall bear the meaning set out in paragraph 2.3;

Guaranteed Party shall bear the meaning set out in the Preamble and shall be deemed to include: (i) the Company on and from the date it becomes a party to the Shareholders' Agreement; and (ii) any Saudi Aramco Qualifying Affiliate on and from the date it becomes a party to the Shareholders' Agreement;

Guarantor shall bear the meaning set out in the Preamble;

Notice shall bear the meaning set out in paragraph 5.3;

Obligations shall bear the meaning set out in paragraph 2.1;

Shareholders' Agreement shall bear the meaning set out in the Preamble; and

Subsidiary Shareholder means: (i) Rowan Rex Limited, a limited company duly organised and existing under the laws of the British Overseas Territory of the Cayman Islands; (ii) and/or any Rowan Qualifying Affiliate which becomes a party to the Shareholders' Agreement; and (iii) any Affiliate of the Guarantor which is a party to a Transaction Agreement.

1.2 Interpretation

Except as otherwise expressly provided in this Guarantee, the rules of interpretation set out in clause 1.2 of the Shareholders' Agreement shall apply to this Guarantee save that references therein to "this Guarantee" shall, for purposes of this Guarantee be construed as references to this "Guarantee."

2. GUARANTEE AND INDEMNITY

2.1 Subject to paragraph 2.2 below, the Guarantor hereby unconditionally and irrevocably guarantees to each Guaranteed Party the due and punctual performance and observance by each Subsidiary Shareholder of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or in connection with the Shareholders' Agreement and the other Transaction Agreements to which a Subsidiary Shareholder is a party (the **Obligations**) and agrees to indemnify each Guaranteed Party on demand against all losses, damages, costs and expenses (including reasonable documented legal costs and expenses in respect of any enforcement of the Obligations and/or this Guarantee) which a Guaranteed Party may suffer through or arising from any breach by a Subsidiary Shareholder of the Obligations. The liability of the Guarantor as aforesaid shall not be released or diminished by any alterations of terms (whether of the Transaction Agreements, or otherwise) or any forbearance, neglect or delay in seeking performance of the Obligations or any granting of time for such performance or any other indulgence, provided, however, that the Guarantor's obligations under this Guarantee shall continue subject to any such alteration, extension of time or other indulgence, or any waiver that may be granted.

2.2 On and from the date on which the relevant Subsidiary Shareholder's Commitment Amount has been reduced to zero in accordance with the Shareholders' Agreement, the express payment and indemnity obligations of the Subsidiary Shareholders under the Transaction Agreements shall no longer form part of the Obligations; provided that this paragraph 2.2 shall not exclude or limit the liability of the Guarantor in respect of any express payment obligation under any Transaction Agreement which has accrued and not been satisfied or any indemnity obligations in respect of which a Guaranteed Party has notified to the Guarantor, in all cases prior to such date.

- 2.3 If and whenever a Subsidiary Shareholder defaults in the performance of the Obligations and such default is not cured or remedied within the time limits set forth in the applicable Transaction Agreement (if any), after notice thereof by the Guaranteed Party to the Subsidiary Shareholder (the **Default**), the Guarantor shall upon demand, which shall reasonably specify the nature and amount, if any, of the Default (the **Demand**), unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of), in accordance with the terms and conditions of the applicable Transaction Agreement, the Obligations in regard to which such Default has been made, and so that the same benefits shall be conferred on the Guaranteed Party as it would have received if such Obligations had been duly performed and satisfied by the Subsidiary Shareholder. Subject to the first sentence of this paragraph 2.3, the Guarantor hereby waives any rights which it may have to require a Guaranteed Party to proceed first against or claim payment from the Subsidiary Shareholder, to the extent that as between a Guaranteed Party and the Guarantor, the latter shall be liable as principal obligor upon any aforesaid Default, as if it had entered into all of the Obligations jointly and severally with the Subsidiary Shareholder.
- 2.4 This Guarantee is in addition to and without prejudice to and not in substitution for any rights or security which a Guaranteed Party may now or hereafter have or hold for the performance and observance of the Obligations of each Subsidiary Shareholder.
- 2.5 The Guarantor shall not, after any Demand has been made hereunder, claim from a Subsidiary Shareholder any sums which may be owing to it from the Subsidiary Shareholder or have the benefit of any set-off or counter-claim or proof against, or dividend, composition or payment by, the Subsidiary Shareholder until all sums owing to each Guaranteed Party hereunder or under or in connection with the Obligations have been paid in full. The Guarantor reserves the right to assert defenses which the Subsidiary Shareholder may have to performance or payment of any Obligation under any Transaction Agreement, other than defenses arising from the bankruptcy, insolvency, dissolution, or liquidation of the Company, defenses arising from lack of due authorization, execution and delivery and defenses expressly waived in this Guarantee.
- 2.6 As a separate and independent stipulation, the Guarantor agrees that any Obligations which may not be enforceable against or recoverable from a Subsidiary Shareholder by reason of:
- (a) any Obligation being void or voidable;
 - (b) any legal limitation, disability or incapacity of the Subsidiary Shareholder or the Guarantor;
 - (c) any insolvency or liquidation of the Subsidiary Shareholder;
 - (d) any merger, amalgamation or other change of status of the Guarantor; or
 - (e) any other fact or circumstance,

shall nevertheless be enforceable against or recoverable from the Guarantor as though the same had been incurred by the Guarantor as principal obligor in respect thereof and shall be performed or paid by the Guarantor on demand in accordance with and subject to the provisions of the Transaction Agreements and this Guarantee as if there were no such unenforceability or inability to recover.

- 2.7 Subject to the other provisions of this Guarantee, the obligations and liability of the Guarantor under or arising out of this Guarantee shall not be interpreted as imposing greater obligations and liabilities on the Guarantor than are imposed on the Subsidiary Shareholder under the Transaction Agreements.

- 2.8 The Guarantor warrants and confirms to each Guaranteed Party:
- (a) that it is duly incorporated and validly existing under the laws of England and Wales;
 - (b) that it has full power under its articles of incorporation, articles of association and by-laws, as applicable, to enter into this Guarantee;
 - (c) that it has full power to perform its obligations under this Guarantee;
 - (d) that it has been duly authorised to enter into this Guarantee;
 - (e) that it has taken all necessary corporate action to authorise the execution, delivery and performance of this Guarantee;
 - (f) that this Guarantee when executed by the Parties hereto will constitute a binding obligation on it in accordance with its terms; and
 - (g) that it has not received any written notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any applicable law by it which is likely to have a material adverse effect on its ability to perform its obligations under this Guarantee.
- 2.9 The Guarantor warrants and confirms to each Guaranteed Party that it has not entered into this Guarantee in reliance upon, nor has it been induced to enter into this Guarantee by any representation, warranty or undertaking made by or on behalf of a Guaranteed Party (whether express or implied and whether pursuant to statute or otherwise) which is not set out in this Guarantee.
- 2.10 This Guarantee is a continuing guarantee and shall remain in operation until all the Obligations have been irrevocably and unconditionally satisfied or performed in full (regardless of any intermediate performance or payment).
- 2.11 Until all Obligations which may be or become due for performance or payment (as the case may be) under the Transaction Agreements or this Guarantee have been irrevocably performed or paid in full (as the case may be), the Guarantor shall:
- (a) not as a result of this Guarantee or any performance or payment under this Guarantee be subrogated to any right or security of any Subsidiary Shareholder or claim or prove in competition with a Guaranteed Party or any other Person or claim any right of contribution, set-off or indemnity; and
 - (b) not take or hold any security from any Subsidiary Shareholder in respect of this Guarantee and any such security which is held in breach of this provision will be held by the Guarantor on trust for the Guaranteed Parties.

3. GOVERNING LAW AND DISPUTE RESOLUTION

3.1 Governing Law

This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of England and Wales.

3.2 Dispute Resolution

Any dispute, controversy, claim or difference of whatever nature arising out of, relating to, or having any connection with this Guarantee shall be settled in accordance with the dispute resolution procedures set forth in Schedule 9 of the Shareholders' Agreement, which is incorporated herein *mutatis mutandis* , save that the seat or legal place of any proceedings shall be London, England.

3.3 Continuing Obligations

If a Dispute is referred to settlement pursuant to paragraph 3.2 above, unless the adjudicating body rules otherwise, the obligations of the Parties shall not be suspended and the provisions of this Guarantee shall continue to be carried out by the Parties.

4. REPLACEMENT GUARANTEE

On or immediately after the Formation Date, the Guarantor shall enter into and deliver to the Company and Saudi Aramco a deed of guarantee in the form set out in the Appendix (the **Replacement Guarantee**) and, upon due execution and delivery by the Company and Saudi Aramco of the Replacement Guarantee, this Guarantee shall be of no further force and effect and will be returned to the Guarantor .

5. GENERAL PROVISIONS

- 5.1 Except as otherwise provided in this Guarantee, every covenant, term and provision of this Guarantee shall, in accordance with its terms, be binding upon the Guarantor and its respective heirs, legatees, legal representatives, successors, transferees and permitted assigns.
- 5.2 The Guarantor shall not make or permit any Person connected with it to make any announcement concerning this Guarantee before, on or after the date hereof, except as required by applicable law or any competent regulatory body or with the prior written approval of the Guaranteed Parties hereto, such approval not to be unreasonably withheld or delayed.
- 5.3 Any Demand notice or other communication to be given under this Guarantee by one Party to another Party shall be given in writing in English and may be delivered in person (to the person designated to act and/or receive notice on behalf of the relevant Party) or sent by prepaid trackable courier service, or email at the following addresses, or such other address as the relevant Party may notify the other Parties in writing from time to time (a **Notice**).

If to the Guarantor: Rowan Companies plc
 2800 Post Oak Boulevard, Suite 5450
 Houston, Texas 77056
 Attn: General Counsel
 Email: meltre@rowancompanies.com

with a copy to:

2800 Post Oak Boulevard, Suite 5450
 Houston, Texas 77056
 Attn: Rowan Legal
 Email: legal@rowancompanies.com

If to the Company: Saudi Aramco Rowan Drilling Company
 [●]

with a copy to:

[●]

If to Saudi Aramco : Saudi Aramco Al Midra Building, RM E-907A
 Dhahran, 31311
 Kingdom of Saudi Arabia
 Attn: VP New Business Development
 Email: yasser.mufti@aramco.com

with a copy to:

Saudi Aramco Main Administration Building, RM 335
 PO Box 5000
 Dhahran, 31311
 Kingdom of Saudi Arabia
 Attn: General Counsel
 Email: nabeel.mansour@aramco.com

Any such Notice sent as aforesaid shall, if sent by email, be deemed delivered on the date of sending, if transmitted before 5.00 pm (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of sending. In proving service of a Notice by email, it is sufficient to prove that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's email system.

- 5.4 The Guarantor shall procure that, during the term of this Guarantee, the Guarantor owns or holds, directly or indirectly, one hundred percent (100%) of the legal and beneficial equity interest in each Subsidiary Shareholder.
- 5.5 All monies payable by the Guarantor to a Guaranteed Party hereunder shall be paid without deduction or withholding of any bank or transfer charges, Taxes, duties, fees, assessments or otherwise. If the Guarantor is required by applicable law to make any deduction or withholding from any sum paid or payable to a Guaranteed Party, the Guarantor shall make such deduction or withholding and pay the relevant amount to the Guaranteed Party, and shall gross up the sum payable to the Guaranteed Party so that the Guaranteed Party receives a net sum equal to what it would have received had such deduction, withholding or payment not been required or made.
- 5.6 This Guarantee shall terminate on the date that the Shareholders' Agreement is terminated or any Subsidiary Shareholder ceases to be a Party to the Shareholders' Agreement, in each case in accordance

with the terms thereof, except for any outstanding Obligations guaranteed under this Guarantee that have not been paid or performed by a Subsidiary Shareholder.

- 5.7 If any part (including any clause or part thereof) of this Guarantee shall be void or unenforceable by reason of any applicable law, it shall be deleted and the remaining parts of this Guarantee shall continue in full force and effect.
- 5.8 The rights and remedies provided by this Guarantee are cumulative and not exclusive of any rights or remedies provided by law .
- 5.9 This Guarantee shall inure to the benefit of, and shall be enforceable by, the Guaranteed Parties and its respective successors and permitted assigns.
- 5.10 This Guarantee shall take effect as a deed poll for the benefit of each Guaranteed Party.
- 5.11 This Guarantee and all related documents, instruments and other materials relating hereto (including Notices, demands, requests, statements, certificates or other documents or communications) shall be in the English language.

[*Signature page follows*]

APPENDIX

FORM OF REPLACEMENT GUARANTEE

THIS DEED OF GUARANTEE (this **Agreement**) is made and entered into on [●];

BETWEEN :

- (1) **ROWAN COMPANIES PLC**, a public limited company organized under the laws of England and Wales (together with its legal successors and permitted assigns, hereinafter referred to as the **Guarantor**);
- (2) **SAUDI ARAMCO DEVELOPMENT COMPANY**, a limited liability company incorporated and registered in the Kingdom with commercial registration number 2052002216 and with its registered office at P.O. Box 500, Dhahran, 3131, the Kingdom (together with its legal successors and permitted assigns, hereinafter referred to as **Saudi Aramco**); and
- (3) **SAUDI ARAMCO ROWAN DRILLING COMPANY**, a limited liability company to be organized under the laws and regulations of the Kingdom of Saudi Arabia having its head office in The Kingdom (the **Company**),

(the Company and Saudi Aramco, each a **Guaranteed Party** and together the **Guaranteed Parties**, and together with the Guarantor, the **Parties** and each, a **Party**).

RECITALS:

- (A) Saudi Aramco and Rowan Rex Limited executed a shareholders' agreement dated the date hereof (as amended and restated, supplemented or otherwise modified from time to time, the **Shareholders' Agreement**);
- (B) The Guarantor owns, directly or indirectly, one hundred percent (100%) of the equity interests of each Subsidiary Shareholder;
- (C) As contemplated in the Shareholders' Agreement, and as a condition to the Guarantor holding its Shares in the Company indirectly through its wholly-owned Subsidiary Shareholder, the Guarantor has agreed to guarantee the payment and performance of the Subsidiary Shareholder's obligations under (and/or arising in connection with) the Shareholders' Agreement and the other Transaction Agreements to which the Subsidiary Shareholder is a party on the terms set out in this Agreement; and
- (D) The Guarantor hereby agrees that the giving of this Agreement is for the commercial benefit of the Guarantor.

NOW THEREFORE the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION**1.1 Definitions**

Except as otherwise expressly provided in this Agreement, capitalised terms used in this Agreement shall have the meanings given to them in the Shareholders' Agreement. In this Agreement, unless the context otherwise requires, the following terms shall have the following meanings:

Default shall bear the meaning set out in paragraph 2.3;

Demand shall bear the meaning set out in paragraph 2.3;

Guaranteed Party shall bear the meaning set out in the Preamble and shall be deemed to include any Saudi Aramco Qualifying Affiliate on and from the date it becomes a party to the Shareholders' Agreement;

Guarantor shall bear the meaning set out in the Preamble;

Notice shall bear the meaning set out in paragraph 5.3;

Obligations shall bear the meaning set out in paragraph 2.1;

Shareholders' Agreement shall bear the meaning set out in the Preamble; and

Subsidiary Shareholder means: (i) Rowan Rex Limited, a limited company duly organised and existing under the laws of the British Overseas Territory of the Cayman Islands; (ii) and/or any Rowan Qualifying Affiliate which becomes a party to the Shareholders' Agreement; and (iii) any Affiliate of the Guarantor which is a party to a Transaction Agreement.

1.2 Interpretation

Except as otherwise expressly provided in this Agreement, the rules of interpretation set out in clause 1.2 of the Shareholders' Agreement shall apply to this Agreement save that references therein to "this Agreement" shall, for purposes of this Agreement be construed as references to this "Agreement."

2. GUARANTEE AND INDEMNITY

2.1 Subject to paragraph 2.2 below, the Guarantor hereby unconditionally and irrevocably guarantees to each Guaranteed Party the due and punctual performance and observance by each Subsidiary Shareholder of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or in connection with the Shareholders' Agreement and the other Transaction Agreements to which a Subsidiary Shareholder is a party (the **Obligations**) and agrees to indemnify each Guaranteed Party on demand against all losses, damages, costs and expenses (including reasonable documented legal costs and expenses in respect of any enforcement of the Obligations and/or this Agreement) which a Guaranteed Party may suffer through or arising from any breach by a Subsidiary Shareholder of the Obligations. The liability of the Guarantor as aforesaid shall not be released or diminished by any alterations of terms (whether of the Transaction Agreements, or otherwise) or any forbearance, neglect or delay in seeking performance of the Obligations or any granting of time for such performance or any other indulgence, provided, however, that the Guarantor's obligations under this Agreement shall continue subject to any such alteration, extension of time or other indulgence, or any waiver that may be granted.

2.2 On and from the date on which the relevant Subsidiary Shareholder's Commitment Amount has been reduced to zero in accordance with the Shareholders' Agreement, the express payment and indemnity obligations of the Subsidiary Shareholders under the Transaction Agreements shall no longer form part of the Obligations; provided that this paragraph 2.2 shall not exclude or limit the liability of the Guarantor in respect of any express payment obligation under any Transaction Agreement which has accrued and not been satisfied or any indemnity obligations in respect of which a Guaranteed Party has notified to the Guarantor, in all cases prior to such date.

- 2.3 If and whenever a Subsidiary Shareholder defaults in the performance of the Obligations and such default is not cured or remedied within the time limits set forth in the applicable Transaction Agreement (if any), after notice thereof by the Guaranteed Party to the Subsidiary Shareholder (the **Default**), the Guarantor shall upon demand, which shall reasonably specify the nature and amount, if any, of the Default (the **Demand**), unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of), in accordance with the terms and conditions of the applicable Transaction Agreement, the Obligations in regard to which such Default has been made, and so that the same benefits shall be conferred on the Guaranteed Party as it would have received if such Obligations had been duly performed and satisfied by the Subsidiary Shareholder. Subject to the first sentence of this paragraph 2.3, the Guarantor hereby waives any rights which it may have to require a Guaranteed Party to proceed first against or claim payment from the Subsidiary Shareholder, to the extent that as between a Guaranteed Party and the Guarantor, the latter shall be liable as principal obligor upon any aforesaid Default, as if it had entered into all of the Obligations jointly and severally with the Subsidiary Shareholder.
- 2.4 This Agreement is in addition to and without prejudice to and not in substitution for any rights or security which a Guaranteed Party may now or hereafter have or hold for the performance and observance of the Obligations of each Subsidiary Shareholder.
- 2.5 The Guarantor shall not, after any Demand has been made hereunder, claim from a Subsidiary Shareholder any sums which may be owing to it from the Subsidiary Shareholder or have the benefit of any set-off or counter-claim or proof against, or dividend, composition or payment by, the Subsidiary Shareholder until all sums owing to each Guaranteed Party hereunder or under or in connection with the Obligations have been paid in full. The Guarantor reserves the right to assert defenses which the Subsidiary Shareholder may have to performance or payment of any Obligation under any Transaction Agreement, other than defenses arising from the bankruptcy, insolvency, dissolution, or liquidation of the Company, defenses arising from lack of due authorization, execution and delivery and defenses expressly waived in this Agreement.
- 2.6 As a separate and independent stipulation, the Guarantor agrees that any Obligations which may not be enforceable against or recoverable from a Subsidiary Shareholder by reason of:
- (a) any Obligation being void or voidable;
 - (b) any legal limitation, disability or incapacity of the Subsidiary Shareholder or the Guarantor;
 - (c) any insolvency or liquidation of the Subsidiary Shareholder;
 - (d) any merger, amalgamation or other change of status of the Guarantor; or
 - (e) any other fact or circumstance,

shall nevertheless be enforceable against or recoverable from the Guarantor as though the same had been incurred by the Guarantor as principal obligor in respect thereof and shall be performed or paid by the Guarantor on demand in accordance with and subject to the provisions of the Transaction Agreements and this Agreement as if there were no such unenforceability or inability to recover.

- 2.7 Subject to the other provisions of this Agreement, the obligations and liability of the Guarantor under or arising out of this Agreement shall not be interpreted as imposing greater obligations and liabilities on the Guarantor than are imposed on the Subsidiary Shareholder under the Transaction Agreements.

- 2.8 The Guarantor warrants and confirms to each Guaranteed Party:
- (a) that it is duly incorporated and validly existing under the laws of England and Wales;
 - (b) that it has full power under its articles of incorporation, articles of association and by-laws, as applicable, to enter into this Agreement;
 - (c) that it has full power to perform its obligations under this Agreement;
 - (d) that it has been duly authorised to enter into this Agreement;
 - (e) that it has taken all necessary corporate action to authorise the execution, delivery and performance of this Agreement;
 - (f) that this Agreement when executed by the Parties hereto will constitute a binding obligation on it in accordance with its terms; and
 - (g) that it has not received any written notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any applicable law by it which is likely to have a material adverse effect on its ability to perform its obligations under this Agreement.
- 2.9 The Guarantor warrants and confirms to each Guaranteed Party that it has not entered into this Agreement in reliance upon, nor has it been induced to enter into this Agreement by any representation, warranty or undertaking made by or on behalf of a Guaranteed Party (whether express or implied and whether pursuant to statute or otherwise) which is not set out in this Agreement.
- 2.10 This Agreement is a continuing guarantee and shall remain in operation until all the Obligations have been irrevocably and unconditionally satisfied or performed in full (regardless of any intermediate performance or payment).
- 2.11 Until all Obligations which may be or become due for performance or payment (as the case may be) under the Transaction Agreements or this Agreement have been irrevocably performed or paid in full (as the case may be), the Guarantor shall:
- (a) not as a result of this Agreement or any performance or payment under this Agreement be subrogated to any right or security of any Subsidiary Shareholder or claim or prove in competition with a Guaranteed Party or any other Person or claim any right of contribution, set-off or indemnity; and
 - (b) not take or hold any security from any Subsidiary Shareholder in respect of this Agreement and any such security which is held in breach of this provision will be held by the Guarantor on trust for the Guaranteed Parties.

3. GOVERNING LAW AND DISPUTE RESOLUTION

3.1 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of England and Wales.

3.2 Dispute Resolution

Any dispute, controversy, claim or difference of whatever nature arising out of, relating to, or having any connection with this Agreement shall be settled in accordance with the dispute resolution procedures set forth in Schedule 9 of the Shareholders' Agreement, which is incorporated herein *mutatis mutandis*, save that the seat or legal place of any proceedings shall be London, England.

3.3 Continuing Obligations

If a Dispute is referred to settlement pursuant to paragraph 3.2 above, unless the adjudicating body rules otherwise, the obligations of the Parties shall not be suspended and the provisions of this Agreement shall continue to be carried out by the Parties.

4. GENERAL PROVISIONS

- 4.1 Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall, in accordance with its terms, be binding upon and inure to the benefit of the Parties and their respective heirs, legatees, legal representatives, successors, transferees and permitted assigns.
- 4.2 No Party shall make or permit any Person connected with it to make any announcement concerning this Agreement before, on or after the date hereof, except as required by applicable law or any competent regulatory body or with the prior written approval of the other Parties hereto, such approval not to be unreasonably withheld or delayed.
- 4.3 Each of the Parties confirms that this Agreement represents the entire understanding, and constitutes the whole agreement, in relation to their subject matter and supersede any previous agreements, arrangements or understandings between the Parties with respect thereto. Except as required by applicable law, no terms shall be implied (whether by custom, usage or otherwise) into this Agreement.
- 4.4 Any Demand notice or other communication to be given under this Agreement by one Party to another Party shall be given in writing in English and may be delivered in person (to the person designated to act and/or receive notice on behalf of the relevant Party) or sent by prepaid trackable courier service, or email at the following addresses, or such other address as the relevant Party may notify the other Parties in writing from time to time (a **Notice**).

If to the Guarantor: Rowan Companies plc
 2800 Post Oak Boulevard, Suite 5450
 Houston, Texas 77056
 Attn: General Counsel
 Email: meltre@rowancompanies.com

with a copy to:

2800 Post Oak Boulevard, Suite 5450
 Houston, Texas 77056
 Attn: Rowan Legal
 Email: legal@rowancompanies.com

If to the Company: Saudi Aramco Rowan Drilling Company
 [●]

with a copy to:

[●]

If to Saudi Aramco: Saudi Aramco Al Midra Building, RM E-907A
 Dhahran, 31311
 Kingdom of Saudi Arabia
 Attn: VP New Business Development
 Email: yasser.mufti@aramco.com

with a copy to:

Saudi Aramco Main Administration Building, RM 335
 PO Box 5000
 Dhahran, 31311
 Kingdom of Saudi Arabia
 Attn: General Counsel
 Email: nabeel.mansour@aramco.com

Any such Notice sent as aforesaid shall, if sent by email, be deemed delivered on the date of sending, if transmitted before 5.00 pm (local time at the country of destination) on any Business Day, and in any other case on the Business Day following the date of sending. In proving service of a Notice by email, it is sufficient to prove that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's email system..

- 4.5 This Agreement may be amended, and any term of this Agreement may be waived by, the unanimous written agreement of the Parties. The rights and remedies of the Parties under or in connection with this Agreement shall not be affected by the giving of any indulgence by the other Parties or by anything whatsoever, except a specific waiver or release in writing, and any such waiver or release shall not prejudice or affect any other rights or remedies of such Parties.
- 4.6 The Guarantor shall procure that, during the term of this Agreement, the Guarantor owns or holds, directly or indirectly, one hundred percent (100%) of the legal and beneficial equity interest in each Subsidiary Shareholder.
- 4.7 All monies payable by the Guarantor to a Guaranteed Party hereunder shall be paid without deduction or withholding of any bank or transfer charges, Taxes, duties, fees, assessments or otherwise. If the Guarantor is required by applicable law to make any deduction or withholding from any sum paid or payable to a Guaranteed Party, the Guarantor shall make such deduction or withholding and pay the relevant amount to the Guaranteed Party, and shall gross up the sum payable to the Guaranteed Party

so that the Guaranteed Party receives a net sum equal to what it would have received had such deduction, withholding or payment not been required or made.

- 4.8 This Agreement shall terminate on the date that the Shareholders' Agreement is terminated or any Subsidiary Shareholder ceases to be a party to the Shareholders' Agreement, in each case in accordance with the terms thereof, except for any outstanding Obligations guaranteed under this Agreement that have not been paid or performed by a Subsidiary Shareholder.
- 4.9 If any part (including any clause or part thereof) of this Agreement shall be void or unenforceable by reason of any applicable law, it shall be deleted and the remaining parts of this Agreement shall continue in full force and effect and, if necessary, the Parties shall use their best efforts to agree upon any amendments to this Agreement necessary to give effect to the spirit of this Agreement with due consideration to the economic interests pursued by each Guaranteed Party and each Subsidiary Shareholder and guided by the principles of reason and fairness.
- 4.10 The rights and remedies provided to the Parties under this Agreement are cumulative and are in addition to, and not in limitation of, other rights and remedies that may be available to any Party under this Agreement or applicable law, provided that the Parties agree to exclude, to the extent permissible, any right of termination of this Agreement arising under applicable law.
- 4.11 This Agreement shall inure to the benefit of, and shall be enforceable by, the relevant Party and its respective successors and permitted assigns.
- 4.12 The Company and any Saudi Aramco Qualifying Affiliate which becomes a Party to the Shareholders' Agreement may enforce the terms of this Agreement against the Guarantor under the Contracts (Rights of Third Parties) Act 1999.
- 4.13 This Agreement may be executed in any number of counterparts and by the Parties on separate counterparts, each of which when executed and delivered shall be an original, but all the counterparts together constitute one instrument.
- 4.14 This Agreement and all related documents, instruments and other materials relating hereto (including Notices, demands, requests, statements, certificates or other documents or communications) shall be in the English language, unless agreed otherwise by the Parties.

[*Signature page follows*]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed as a deed by its duly authorised representatives as of the date first written above.

Executed as a deed by)
ROWAN COMPANIES PLC) Director
))
))
) Director

Executed as a deed by)
SAUDI ARAMCO DEVELOPMENT)
COMPANY)
) Director
))
))

In the presence of:

Witness signature:

Name:

Address:
.....
.....

Executed as a deed by)
SAUDI ARAMCO ROWAN)
DRILLING COMPANY)
) Director
))
))

In the presence of:

Witness signature:

Name:

Address:
.....
.....

SCHEDULE 15
FORM OF SUBORDINATED SHAREHOLDER LOAN

ROWAN COMPANIES PLC
LIST OF SUBSIDIARIES
As of December 31, 2016

Company Name	Jurisdiction(s)
Atlantic Maritime Services LLC (fka Atlantic Maritime Services, Inc.)	Delaware
British American Offshore Limited	England & Wales
Great White Shark Limited	Gibraltar
Green Turtle Limited	Gibraltar
Manatee Limited	Malta
Manta Ray Limited	Malta
Marine Blue Limited	Gibraltar
Ralph Coffman Cayman Limited (fka Rowan S116E#3, Inc.)	Cayman Islands
Ralph Coffman Limited	Gibraltar
Ralph Coffman Luxembourg S.à r.l. (fka Rowan Financement S.à r.l.)	Luxembourg
RCI International, Inc.	Cayman Islands
RD International Services Pte. Ltd.	Singapore
RDC Arabia Drilling, Inc.	Cayman Islands
RDC Holdings Luxembourg S.à r.l.	Luxembourg
RDC Malta Limited (fka RDC (Gibraltar) Limited)	Malta
RDC Offshore Luxembourg S.à r.l.	Luxembourg
RDC Offshore Malta Limited (fka RDC Offshore (Gibraltar) Limited)	Malta
RoCal Cayman Limited (fka RCI Drilling International, Inc.)	Cayman Islands
Rowan 240C#3, Inc.	Cayman Islands
Rowan 350 Slot Rigs, Inc. (fka RDC Qatar, Inc.)	Delaware
Rowan Angola Limitada	Angola
Rowan Austria GmbH	Austria
Rowan California S.à r.l.	Luxembourg
Rowan Cayman Limited	Cayman Islands
Rowan Companies, Inc.	Delaware
Rowan Deepwater Drilling (Gibraltar) Limited	Gibraltar
Rowan do Brasil Servicos de Perfuracao Ltda.	Brazil
Rowan Drilling Americas Limited (in liquidation)	England & Wales
Rowan Drilling Cyprus Limited	Cyprus
Rowan Drilling (Gibraltar) Limited	Gibraltar
Rowan Drilling (Trinidad) Limited	Cayman Islands
Rowan Drilling Services Limited (fka Rowan Labor (Gibraltar) Limited)	Gibraltar
Rowan Drilling Services Nigeria Limited	Nigeria
Rowan Drilling (U.K.) Limited	Scotland
Rowan Drilling US Limited	England & Wales
Rowan Egypt Petroleum Services L.L.C.	Egypt
Rowan Finance LLC	Delaware
Rowan Financial Holdings S.à r.l.	Luxembourg
Rowan Finanz S.à r.l.	Luxembourg
Rowan Global Drilling Services Limited	Gibraltar
Rowan Gorilla V (Gibraltar) Limited	Gibraltar

Company Name	Jurisdiction(s)
Rowan Gorilla VII (Gibraltar) Limited	Gibraltar
Rowan Holdings Luxembourg S.à r.l.	Luxembourg
Rowan International Rig Holdings S.à r.l.	Luxembourg
Rowan Marine Services, Inc.	Texas
Rowan Middle East, Inc.	Cayman Islands
Rowan N-Class (Gibraltar) Limited	Gibraltar
Rowan No. 1 Limited	England & Wales
Rowan No. 2 Limited	England & Wales
Rowan North Sea, Inc.	Cayman Islands
Rowan Norway Limited (fka Rowan (Gibraltar) Limited)	Gibraltar
Rowan Offshore (Gibraltar) Limited	Gibraltar
Rowan Offshore Luxembourg S.à r.l.	Luxembourg
Rowan Petroleum, Inc.	Texas
Rowan Relentless Limited	Gibraltar
Rowan Relentless Luxembourg S.à r.l. (fka Rowan Finanzeieren S.à r.l.)	Luxembourg
Rowan Reliance Limited	Gibraltar
Rowan Reliance Luxembourg S.à r.l.	Luxembourg
Rowan Resolute Limited	Gibraltar
Rowan Renaissance Luxembourg S.à r.l.	Luxembourg
Rowan Resolute Luxembourg S.à r.l.	Luxembourg
Rowan Rex Limited	Cayman Islands
Rowan Rigs S.à r.l. (fka Lionfish Luxembourg S.à r.l.)	Luxembourg
Rowan, S. de R.L. de C.V.	Mexico
Rowan Services LLC	Delaware
Rowan (UK) Relentless Limited	England & Wales
Rowan (UK) Reliance Limited	England & Wales
Rowan (UK) Renaissance Limited	England & Wales
Rowan UK Renaissance Onshore Limited	England & Wales
Rowan (UK) Resolute Limited	England & Wales
Rowan US Holdings (Gibraltar) Limited	Gibraltar
Rowandrill, Inc.	Texas
Rowandrill Labuan Limited	Labuan
Rowandrill Malaysia Sdn. Bhd.	Malaysia
SKDP 1 Limited	Cyprus
SKDP 2 Limited	Cyprus
SKDP 3 Limited	Cyprus

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-132762, Registration Statement No. 333-158985, Registration Statement No. 333-188272, and Registration Statement No. 333-210966, each on Form S-8, and Registration Statement No. 333-204157 on Form S-3 of our reports dated February 24, 2017, relating to the consolidated financial statements and financial statement schedule of Rowan Companies plc and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Houston, Texas
February 24, 2017

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas P. Burke or Stephen M. Butz, or either of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-K for the year ended December 31, 2016, and any or all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Power of Attorney has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Thomas P. Burke</u> (Thomas P. Burke)	President and Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
<u>/s/ Stephen M. Butz</u> (Stephen M. Butz)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2017
<u>/s/ Dennis S. Baldwin</u> (Dennis S. Baldwin)	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2017
<u>/s/ William E. Albrecht</u> (William E. Albrecht)	Director	February 24, 2017
<u>/s/ Sir Graham Hearne</u> (Sir Graham Hearne)	Chairman of the Board	February 24, 2017
<u>/s/ Thomas R. Hix</u> (Thomas R. Hix)	Director	February 24, 2017
<u>/s/ Jack B. Moore</u> (Jack B. Moore)	Director	February 24, 2017
<u>/s/ Suzanne P. Nimocks</u> (Suzanne P. Nimocks)	Director	February 24, 2017
<u>/s/ P. Dexter Peacock</u> (P. Dexter Peacock)	Director	February 24, 2017
<u>/s/ John J. Quicke</u> (John J. Quicke)	Director	February 24, 2017
<u>/s/ Tore I. Sandvold</u> (Tore I. Sandvold)	Director	February 24, 2017
<u>/s/ Charles L. Szews</u> (Charles L. Szews)	Director	February 24, 2017

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas P. Burke, certify that:

1. I have reviewed this Form 10-K of Rowan Companies plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ THOMAS P. BURKE

Thomas P. Burke

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Stephen M. Butz, certify that:

1. I have reviewed this Form 10-K of Rowan Companies plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ STEPHEN M. BUTZ

Stephen M. Butz

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Rowan Companies plc (the “Company”) on Form 10-K for the year ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas P. Burke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented.

Date: February 24, 2017

/s/ THOMAS P. BURKE

Thomas P. Burke

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Rowan Companies plc (the “Company”) on Form 10-K for the year ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen M. Butz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented.

Date: February 24, 2017

/s/ STEPHEN M. BUTZ

Stephen M. Butz

Executive Vice President and Chief Financial Officer