UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

[_] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

OR

[_] SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number: 333-224459

SEADRILL LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

Par-la-Ville Place, 4th Floor, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda

(Address of principal executive offices)

Colleen Simmons
Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda
Tel: +1 (441) 295-9500, Fax: +1 (441) 295-3494

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person

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

Title of class	Trading Symbol	Name of exchange on which registered
Common stock $0.10 par value	SDRL	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2019, there were 100,234,973 shares, par value $0.10 per share, of the Registrant's common stock outstanding.
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

[_] Yes **[X] No**

If this report is an annual report or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

[_] Yes **[X] 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.

[X] Yes **[_] No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 the files).

[X] Yes **[_] No**

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [_] **Accelerated filer [X]**

Non-accelerated filer [_] **Emerging growth company [_]**

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [_]

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

[X] U.S. GAAP

[_] International Financial Reporting Standards as issued by the International Accounting Standards Board

[_] Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

[_] Item 17

[_] Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[_] Yes **[X] No**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, or the PSLRA, and are including this cautionary statement in connection therewith. The PSLRA provides safe harbor protections for forward-looking statements to encourage companies to provide prospective information about their business.

Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical or present facts or conditions.

This annual report and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words “believe,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “plan,” “potential,” “may,” “should,” “expect” and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies that are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere in this annual report, and in the documents incorporated by reference to this report, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- the impact of active negotiations with our lenders to obtain certain amendments to our credit facilities and related contingency planning efforts, the outcome of which is uncertain;
- our ability to maintain relationships with suppliers, customers, employees and other third parties following our emergence from Chapter 11 proceedings;
- our ability to maintain and obtain adequate financing to support our business plans following our emergence from Chapter 11;
- factors related to the offshore drilling market, including volatility and changes in oil and gas prices and the state of the global economy on market outlook for our various geographical operating sectors and classes of rigs;
- supply and demand for drilling units and competitive pressure on utilization rates and dayrates;
- customer contracts, including contract backlog, contract commencements, contract terminations, contract option exercises, contract revenues, contract awards and rig mobilizations;
- the repudiation, nullification, modification or renegotiation of drilling contracts;
- delays in payments by, or disputes with, our customers under our drilling contracts;
- fluctuations in the market value of our drilling units and the amount of debt we can incur under certain covenants in our debt financing agreements;
- our liquidity and the adequacy of cash flow for our obligations;
- our ability to successfully employ our drilling units;
- our ability to procure or have access to financing;
- our expected debt levels;
- the impact of the operating and financial restrictions imposed by covenants in our debt agreements;
- our ability to satisfy our obligations, including certain covenants, under our debt agreements and, if needed, to raise new capital or refinance our existing indebtedness;
- the ability of our affiliated or related companies to service their debt requirements and comply with the provisions contained in their loan agreements;
- credit risks of our key customers;
- political and other uncertainties, including political unrest, risks of terrorist acts, war and civil disturbances, public health threats, piracy, corruption, significant governmental influence over many aspects of local economies, or the seizure, nationalization or expropriation of property or equipment;
- the impact of global economic conditions, including potential trade wars and global health threats, such as the coronavirus, or COVID-19, outbreak on us, our customers and suppliers;
- the concentration of our revenues in certain geographical jurisdictions;
- limitations on insurance coverage, such as war risk coverage, in certain regions;
- any inability to repatriate income or capital;
- the operation and maintenance of our drilling units, including complications associated with repairing and replacing equipment in remote locations and maintenance costs incurred while idle;
- newbuildings, upgrades, shipyard and other capital projects, including the completion, delivery and commencement of operation dates;

- import-export quotas;
- wage and price controls and the imposition of trade barriers;
- the recruitment and retention of personnel;
- regulatory or financial requirements to comply with foreign bureaucratic actions, including potential limitations on drilling activity, changing taxation policies and other forms of government regulation and economic conditions that are beyond our control;
- the level of expected capital expenditures, our expected financing of such capital expenditures, and the timing and cost of completion of capital projects;
- fluctuations in interest rates or exchange rates and currency devaluations relating to foreign or US monetary policy;
- future losses generated from investments in associated companies or receivable balances held with associated companies;
- tax matters, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Bermuda, Brazil, Norway, the United Kingdom and the United States;
- legal and regulatory matters, including the results and effects of legal proceedings, and the outcome and effects of internal and governmental investigations;
- hazards inherent in the drilling industry and marine operations causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and the suspension of operations;
- customs and environmental matters; and
- other important factors described from time to time in the reports filed or furnished by us with the SEC.

We caution readers of this report on Form 20-F not to place undue reliance on these forward-looking statements, which speak to circumstances only as at their dates. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

PART 1.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Except where the context otherwise requires or where otherwise indicated, the terms “Seadrill”, “the Group”, “we”, “us”, “our”, “the Company” and “our Business” refer to either Seadrill Limited, any one or more of its consolidated subsidiaries, or to all such entities, and, for periods before emergence from Chapter 11 Proceedings on July 2, 2018, to Old Seadrill Limited, any one or more of its consolidated subsidiaries, or to all such entities.

References to the term “Successor” refers to the financial position and results of operations of Seadrill after July 2, 2018. This is also applicable to terms “Seadrill”, “the Group”, “we”, “us”, “our”, “the Company” or “our Business” in context of events after emergence from Chapter 11 Proceedings on July 2, 2018. References to the term "the 2018 Successor period" refers to the period from July 2, 2018 to December 31, 2018. References to the term "the year ended 2019" refers to the year ended December 31, 2019.

References to the term “Predecessor” refers to the financial position and results of operations of Seadrill prior to, and including, July 1, 2018. This is also applicable to terms “Seadrill”, “the Group”, “we”, “us”, “our”, “the Company” or “our Business” in context of events before emergence from Chapter 11 Proceedings on July 2, 2018. References to the term "the 2018 Predecessor period" refers to the period from January 1, 2018 to July 1, 2018 and references to the term "the year ended 2017" refers to the year ended December 31, 2017.

Unless otherwise indicated or the context otherwise requires, references in this report to the terms below have the following meanings:

- “AOD” means Asia Offshore Drilling Limited, a company incorporated under the Laws of Bermuda with registration number 44712.
- "Archer" means Archer Limited, a global oilfield service company that specializes in drilling and well services. We have a 15.7% ownership interest in the company.
- “Bankruptcy Court” means the United States Bankruptcy Court for the District of South Texas Victoria Division;
- “Centerbridge” means Centerbridge Credit Partners L.P. and certain of its affiliates;
- “Chapter 11 Proceedings” means reorganization proceedings under Chapter 11 of Title 11 of the United States Code.
- “Commitment Parties” means each commitment party to the Investment Agreement;
- “Companies Act” means the Companies Act 1981 of Bermuda, as amended from time to time;
- “Debtors” means Seadrill Limited and certain of its subsidiaries which filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court on September 12, 2017;
- “Effective Date” means the date of the Debtors’ emergence from bankruptcy proceedings in accordance with the terms and conditions of the Plan;
- “Employee Incentive Plan” means the employee incentive plan that was implemented by Seadrill pursuant to the terms of the Plan which will, among other things, reserve an aggregate of 10 percent of the Common Shares, on a fully diluted, fully distributed basis, for grants made from time to time to employees of Seadrill and its subsidiaries and otherwise contain terms and conditions (including with respect to participants, allocation, structure, and timing of issuance) generally consistent with those prevailing in the market at the discretion of the board of directors of Seadrill;
- “Exchange Act” means the Securities Exchange Act of 1934, as amended;
- "Fintech" means Fintech Investment Limited, our joint venture partner for SeaMex;
- “Global Settlement” refers to the settlement announced by the Debtors on February 26, 2018 with an ad-hoc group of unsecured bond holders, the official committee of unsecured creditors and other major creditors. This is described under the heading “The Reorganization —Introduction”;
- "Gulf Drilling International" or "GDI" refers to our joint venture partner for Gulfdrill;
- "Gulfdrill" means Gulfdrill LLC, a limited liability company formed under the companies regulations of Qatar with QFC number 00770;
- "Heirs Holdings" refers to HH Global Alliance Investments Limited, a company registered in Nigeria that owns a non-controlling interest in one of our subsidiaries, Seadrill Nigeria Offshore Limited.
- “Hemen” means Hemen Holding Limited, a Cyprus holding company with registration number HE87804 and Hemen Investments Limited, a Cyprus holding company with registration number HE371665;

- “Investment Agreement” means the investment agreement described under the heading “Introduction to the Reorganization” in Item 4A;
- "Mermaid" means Mermaid International Ventures, who have a 33.76% ownership interest in AOD;
- "NODL" means: Northern Drilling Ltd, listed on the Oslo Stock Exchange under the trading symbol "NODL";
- "NOL" means Northern Ocean Ltd, listed on the Norwegian Over The Counter under the trading symbol "NOL";
- "Northern Drilling" means both NODL and NOL;
- “NSNCo” means Seadrill New Finance Limited, a company incorporated under the Laws of Bermuda with registration number 53541, formed in connection with the Reorganization and the issuer of the Senior Secured Notes;
- “NYSE” means the New York Stock Exchange;
- “Old Seadrill Limited” or the “Predecessor Company” means Seadrill Limited, a company incorporated under the Laws of Bermuda with registration number 36832. Old Seadrill Limited was the parent company of Seadrill prior to its emergence from bankruptcy;
- “OSE” means the Oslo Stock Exchange;
- “Plan” means the Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, what was filed with the Bankruptcy Court on February 26, 2018 and confirmed by the Bankruptcy Court on April 17, 2018;
- “Reorganization” means the transactions described under the heading “Chapter 11 Reorganization” in Item 4A and those transactions contemplated by the Plan;
- “RSA” means the restructuring support and lock-up agreement that the Debtors entered with a group of bank lenders, bondholders, certain other stakeholders and new investors on September 12, 2017. This is described under the heading “Introduction to the Reorganization” in Item 4A;
- “Sapura Energy” means Sapura Energy Berhad. We previously held an investment in Sapura Energy. Sapura Energy is also our joint venture partner for Seabras Sapura;
- “Seabras Sapura” refers to our joint venture with Sapura Energy. We refer to our investments in Seabras Sapura Participacoes SA and Seabras Sapura Holding GmbH together as “Seabras Sapura”;
- “Seadrill Limited” or the “Successor Company” means Seadrill Limited (formerly known as “New SDRL Limited”), a company incorporated under the Laws of Bermuda with registration number 53439. Seadrill Limited has been the parent company of Seadrill since its emergence from bankruptcy;
- “Seadrill Common Shares” or the "Shares” means common shares, par value $0.10 per share, of Seadrill Limited;
- “Seadrill Partners” means Seadrill Partners, LLC, a limited liability company formed under the Laws of the Republic of The Marshall Islands with registration number 962166;
- “SeaMex” means SeaMex Limited, a limited liability company formed under the Laws of Bermuda with registration number 48115;
- “Senior Secured Notes” means the Senior Secured Notes issued by NSNCo in connection with the Reorganization;
- "Ship Finance" means SFL Corporation Ltd, formerly Ship Finance International Limited;
- "Ship Finance VIE" refer to the consolidated entities that have sale and leaseback arrangements with SFL Corporation Ltd for the semi-submersible rigs *West Taurus* and *West Hercules* and the jack-up rig *West Linus*;
- "Sonadrill" refers to Sonadrill Holding Ltd, a limited liability company registered in England with registration number 11922814; and
- "Sonangol" refers to Sonangol EP, our joint venture partner for Sonadrill.

Throughout the report we refer to customers, suppliers and other key partners by the names they are commonly known by instead of their full legal names.

References in this annual report to “Total,” “Petrobras,” “ExxonMobil,” “LLOG,” “Saudi Aramco,” “ConocoPhillips” and “Equinor” refer to our key customers Total S.A., Petroleo Brasileiro S.A., Exxon Mobil Corporation, LLOG Exploration Company LLC, Saudi Arabian Oil Company, ConocoPhillips and Equinor ASA, respectively.

References in this annual report to “Cosco,” “Samsung,” “DSME,” “Dalian,” “Jurong,” and “HSHI” refer to the shipyards Cosco (Qidong) Offshore Co. Limited, Samsung Heavy Industries, Daewoo Shipbuilding & Marine Engineering, Dalian Shipbuilding Industry Offshore Co., Ltd., Jurong Shipyard Pte Ltd., and Hyundai Samho Heavy Industries Co. Ltd., respectively.

Unless otherwise indicated, all references to “US$” and “$” in this annual report are to, and amounts are presented in, US dollars. All references to “€” are to euros, all references to “£” or “GBP” are to pounds sterling, all references to “NOK” are to Norwegian krone and all references to “SEK” are to Swedish krona.

A. SELECTED FINANCIAL DATA

Our selected Statement of Operations and other financial data with respect to the fiscal year ended December 31, 2019, the 2018 Successor period, the 2018 Predecessor period and the fiscal year ended December 31, 2017 and our selected balance sheet data as of December 31, 2019 and 2018 have been derived from our Consolidated Financial Statements included in Item 18 of this annual report, or the Consolidated Financial Statements, which have been prepared in accordance U.S. GAAP.

Our selected Statement of Operations and other financial data for the fiscal years ended December 31, 2016 and 2015 and our selected balance sheet data as of December 31, 2017, 2016 and 2015 have been derived from the Consolidated Financial Statements that are not included herein.

The following table should be read in conjunction with "ITEM 5. Operating and Financial Review and Prospects" and our Consolidated Financial Statements and notes thereto, which are included herein. Our Consolidated Financial Statements are maintained in U.S. dollars. We refer you to the notes to our Consolidated Financial Statements for a discussion of the basis on which our Consolidated Financial Statements are prepared, and we draw your attention to the statement regarding the application of Fresh Start accounting as described in Note 1 "General information" of our Consolidated Financial Statements included herein.

The below table summarizes certain line items from the consolidated statements of operations for the last five fiscal years.

(In millions of U.S. dollars except common share and per share data)	Successor		Predecessor			
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Statement of Operations Data:						
Total operating revenues	1,388	541	712	2,088	3,169	4,335
Net operating (loss)/ income	(295)	(175)	(613)	(728)	1,026	1,019
Net loss	(1,222)	(605)	(3,885)	(3,102)	(155)	(635)
Loss per share, basic	(12.18)	(6.02)	(7.71)	(5.89)	(0.36)	(1.29)
Loss per share, diluted	(12.18)	(6.02)	(7.71)	(5.89)	(0.36)	(1.29)

The below table summarizes certain line items from the consolidated balance sheets for the last five fiscal years.

(In millions of U.S. dollars except common share and per share data)	Successor		Predecessor		
	As of December 31,		As of December 31,		
	2019	2018	2017	2016	2015
Balance Sheet Data (at end of period):					
Cash and cash equivalents	1,357	1,542	1,255	1,368	1,044
Drilling units	6,401	6,659	13,216	14,276	14,930
Newbuildings	—	—	248	1,531	1,479
Investment in associated companies	389	800	1,473	2,168	2,592
Total assets	9,279	10,848	17,982	21,666	23,439
Long-term debt (including current portion) [1]	6,623	6,914	8,699	9,514	10,543
Common share capital	10	10	1,008	1,008	985
Total equity	1,793	3,035	6,959	10,063	10,068
Common shares outstanding (in millions)	100	100	505	504	493
Weighted average common shares outstanding (in millions)	100	100	505	501	493

[1] Includes $7,705 million of debt classified as liabilities subject to compromise in 2017.

The below table summarizes certain line items from the consolidated cashflow statements for the last five fiscal years.

(In millions of U.S. dollars except common share and per share data)	Successor		Predecessor			
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Statement of Cash Flows data:						
Operating cash flows	(256)	(26)	(213)	399	1,184	1,788
Investing cash flows	(26)	61	149	358	354	(165)
Financing cash flows	(367)	(208)	887	(846)	(1,405)	(1,370)
Capital expenditure [1]	(162)	(98)	(127)	(150)	(231)	(1,041)

[1] Capital expenditures include additions to drilling units and equipment, additions to newbuildings, as well as payments for long-term maintenance.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Our assets are primarily engaged in offshore contract drilling for the oil and gas industry in benign and harsh environments worldwide, including ultra-deepwater environments. The following risks principally relate to the industry in which we operate and our business in general. Other risks relate principally to the market for and ownership of our securities and our emergence from bankruptcy. The occurrence of any of the events described in this section could materially and negatively affect our business, financial condition, operating results, cash available for the payment of dividends or the trading price of our common shares. Unless otherwise indicated, all information concerning our business and our assets is as of December 31, 2019. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Relating to Our Company and Industry

The success and growth of our business depend on the level of activity in the offshore oil and gas industry generally, and the drilling industry specifically, which are both highly competitive and cyclical, with intense price competition.

Our business depends on the level of oil and gas exploration, development and production in offshore areas worldwide that is influenced by oil and gas prices and market expectations of potential changes in these prices.

Oil and gas prices are extremely volatile and are affected by numerous factors beyond our control, including, but not limited to, the following:

- worldwide production of, and demand for, oil and gas and geographical dislocations in supply and demand;
- the cost of exploring for, developing, producing and delivering oil and gas;
- expectations regarding future energy prices and production;
- advances in exploration, development and production technology;
- the ability or willingness of the Organization of the Petroleum Exporting Countries, or OPEC, and other non-member nations, including Russia, to set and maintain levels of production and pricing;
- the decision of OPEC or other non-member nations to abandon production quotas and/or member-country quota compliance within OPEC agreements;
- the level of production in non-OPEC countries;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- government regulations, including restrictions on offshore transportation of oil and natural gas;
- local and international political, economic and weather conditions;
- domestic and foreign tax policies;
- the development and exploitation of alternative fuels and unconventional hydrocarbon production, including shale;
- worldwide economic and financial problems and the corresponding decline in the demand for oil and gas and, consequently, our services;
- the policies of various governments regarding exploration and development of their oil and gas reserves, accidents, severe weather, natural disasters and other similar incidents relating to the oil and gas industry; and
- the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, Eastern Europe or other geographic areas or further acts of terrorism in the United States, Europe or elsewhere.

Decreases in oil and gas prices for an extended period of time, or market expectations of potential decreases in these prices, have negatively affected and could continue to negatively affect our future performance. Although the market experienced a stabilization in oil and gas prices in 2019, there is no guarantee that this will remain stable going forward and prices can significantly fluctuate in the future. Moreover, in March 2020, members of OPEC and Russia failed to reach an agreement to extend their previously agreed oil production cuts. Consequently, Saudi Arabia has announced a significant reduction in its export prices and Russia has announced that all agreed oil production cuts between members of OPEC and Russia will expire on April 1, 2020. As a result of these announcements, the price of oil fell approximately 20% on March 9, 2020. We cannot anticipate whether or when this dispute will be resolved and production returned to normalized levels. In the absence of a resolution, oil prices could remain at current levels, or decline further, for an extended period of time. Any perceived or actual further reduction in oil prices could have a material adverse effect on our business, financial condition and results of operations.

Continued periods of low demand can cause excess rig supply and intensify competition in our industry, which often results in drilling rigs, particularly older and less technologically-advanced drilling rigs, being idle for long periods of time. We cannot predict the future level of demand for drilling rigs or future condition of the oil and gas industry with any degree of certainty. Any future decrease in exploration, development or production expenditures by oil and gas companies could further reduce our revenues and materially harm our business.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, which could reduce demand for our services and adversely affect our business, including, but not limited to, the following:

- the availability and quality of competing offshore drilling units;
- the availability of debt financing on reasonable terms;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;
- the level of rig operating costs, including crew and maintenance;
- the discovery of new oil and gas reserves;
- the political and military environment of oil and gas reserve jurisdictions; and
- regulatory restrictions on offshore drilling.

The offshore drilling industry is highly competitive and fragmented and includes several large companies that compete in many of the markets we serve, as well as numerous small companies that compete with us on a local basis. Offshore drilling contracts are generally awarded on a competitive bid basis or through privately negotiated transactions. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, rig location, the condition and integrity of equipment, the rig's and/or the drilling contractor's record of operating efficiency, including high operating uptime, technical specifications, safety performance record, crew experience, reputation, industry standing and customer relations. Our operations may be adversely affected if our current competitors or new market entrants introduce new drilling rigs with better features, performance, prices or other characteristics compared to our drilling rigs, or expand into service areas where we operate.

Competitive pressures and other factors may result in significant price competition, particularly during industry downturns, which could have a material adverse effect on our results of operations and financial condition.

Historical downturns in activity in the oil and gas drilling industry has had an adverse impact on our business and results of operations, and any future downturn or volatile market conditions is likely to adversely impact our business and results of operations.

The oil and gas drilling industry is cyclical but has been in a prolonged downcycle since 2014. The price of Brent crude fell from $115 per barrel in June 2014 to a low of $30 per barrel in January 2016. As at December 31, 2019, the price of Brent crude was approximately $68 per barrel. After OPEC and Russia failed to agree on recent production cuts, however, Brent crude reached a low of $22 per barrel on March 30, 2020.

If we are unable to secure contracts for our drilling units upon the expiration of our existing contracts, we may stack our units. When idled or stacked, drilling units do not earn revenues, but continue to require cash expenditures for crews, fuel, insurance, berthing and associated items. As of December 31, 2019, we had two "warm stacked" units, which means the rig is kept operational and ready for redeployment, and maintains most of its crew, 16 "cold stacked" units, which means the rig is stored in a harbor, shipyard or a designated offshore area, and the crew is reassigned to an active rig or dismissed. Without new drilling contracts or additional financing being available when needed or available only on unfavorable terms, we will be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional drilling unit acquisitions or otherwise take advantage of business opportunities as they arise.

During volatile market conditions or expected downturns, our customers may also seek to cancel or renegotiate our contracts for various reasons, including adverse conditions, resulting in lower dayrates. Our inability, or the inability of our customers to perform, under our or their contractual obligations may have a material adverse effect on our financial position, results of operations and cash flows.

From time to time, we are approached by potential buyers for the outright purchase of some of our drilling units, businesses, or other fixed assets. We may determine that such a sale would be in our best interests and agree to sell certain drilling units or other assets. Such a sale could have an impact on short-term liquidity and net income. We may recognize a gain or loss on disposal depending on whether the fair value of the consideration received is higher or lower than the carrying value of the asset.

We do not know when the market for offshore drilling units may recover, or the nature or extent of any future recovery. There can be no assurance that the current demand for drilling rigs will not further decline in future periods. A future decline in demand for drilling rigs would adversely affect our financial position, operating results and cash flows.

An economic downturn could have a material adverse effect on our revenue, profitability and financial position.

We depend on our customers' willingness and ability to fund operating and capital expenditures to explore, develop and produce oil and gas, and to purchase drilling and related equipment. There has historically been a strong link between the development of the world economy and the demand for energy, including oil and gas. The world economy is currently facing a number of challenges. Concerns persist regarding the debt burden of certain European countries and their ability to meet future financial obligations and the overall stability of the euro. Further, the COVID-19 outbreak that began in December 2019 was declared a global pandemic on March 11, 2020 by the World Health Organization. The COVID-19 outbreak has had numerous effects on the global economy and could cause a global economic downturn. A renewed period of adverse development in the outlook for the financial stability of European countries, or market perceptions concerning these and related issues, could reduce the overall demand for oil and natural gas and for our services and thereby could affect our financial position, results of operations and cash available for distribution. In addition, turmoil and hostilities in the Ukraine, Korea, the Middle East, North Africa and other geographic areas and countries are adding to the overall risk picture.

Negative developments in worldwide financial and economic conditions could further cause our ability to access the capital markets to be severely restricted at a time when we would like, or need, to access such markets, which could impact our ability to react to changing economic and

business conditions. Worldwide economic conditions have in the past impacted, and could in the future impact, lenders willingness to provide credit facilities to our customers, causing them to fail to meet their obligations to us.

A portion of the credit under our credit facilities is provided by European banking institutions. If economic conditions in Europe preclude or limit financing from these banking institutions, we may not be able to obtain financing from other institutions on terms that are acceptable to us, or at all, even if conditions outside Europe remain favorable for lending.

An extended period of adverse development in the outlook for the world economy could also reduce the overall demand for oil and gas and for our services. Such changes could adversely affect our results of operations and cash flows beyond what might be offset by the simultaneous impact of possibly higher oil and gas prices.

Our business is capital intensive and, to the extent we do not generate sufficient cash from operations, we may need to raise additional funds through public or private debt or equity offerings to fund our capital expenditures. Our ability to access the capital markets may be limited by our financial condition at the time, by changes in laws and regulations or interpretations thereof and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. An extended period of deterioration in outlook for the world economy could reduce the overall demand for our services and could also adversely affect our ability to obtain financing on terms acceptable to us or at all.

Any reductions in drilling activity by our customers may not be uniform across different geographic regions. Locations where costs of drilling and production are relatively higher, such as Arctic or deepwater locations, may be subject to greater reductions in activity. Such reductions in high cost regions may lead to the relocation of drilling units, concentrating drilling units in regions with relatively fewer reductions in activity leading to greater competition.

If our lenders and other debt holders are not confident that we are able to employ our assets, we may be unable to secure replacement or additional financing, or amendments to existing debt documents, on terms acceptable to us or at all.

We are in ongoing negotiations with our lenders to obtain certain amendments to our credit facilities, and the outcome of our amendment request process and our related contingency planning efforts is uncertain and could adversely affect our business and liquidity.

We are currently engaged in discussions with our secured lenders regarding potential amendments to our credit facilities to provide operational flexibility and additional near-term liquidity by, among other things, converting certain interest payments under our credit facilities to payment-in-kind (“PIK”) interest and deferring certain scheduled amortization payments (or increasing the aggregate amount of such payments that may be converted to loans payable at the final scheduled maturity date of the relevant facility pursuant to the amortization conversion election provisions contained in the facility agreements). We have also requested that our lenders consent to an extension of the periods during which we are first required to comply with the net leverage and debt service coverage financial covenants in our facility agreements because we currently anticipate that we will not be able to meet these requirements when such covenants begin to be tested at the end of Q1 2021.

We cannot guarantee that we will be able to obtain our lenders' consent with respect to any of our amendment requests on acceptable terms or at all. Any amendment to our credit facilities that we enter into may contain more restrictive covenants or other terms that could further exacerbate certain risks associated with our leveraged capital structure. If we are unable to obtain some or all of our requested amendments on acceptable terms or at all, we may not be able to satisfy our financial obligations under our credit facilities, which may result in possible defaults on and acceleration of such indebtedness, and we may exacerbate, and/or be unable to manage or mitigate, certain risks associated with our leveraged capital structure. If our amendment requests relating to our net leverage and debt service coverage financial covenants are not successful, then non-compliance with such covenants could trigger certain increases to our interest expense obligations in certain future periods when such covenants begin to be tested at the end of Q1 2021 (potentially further exacerbating, among other things, liquidity-related risks) and/or, with respect to covenant test dates occurring after 2021, lead to a default under the terms of those facility agreements under certain circumstances. We have also forecasted that we will not be able to meet the requirements under our ongoing liquidity financial covenant contained in the facility agreements during certain periods occurring after the twelve-month period following the date of this report. If our amendment requests for certain liquidity enhancing measures are not successful, including with respect to the conversion of certain interest payments to PIK and the deferral of certain scheduled amortization payments then there is an increased risk that we will breach these liquidly requirements sooner than currently anticipated after such twelve-month period following the date of this report. Failure to comply with such liquidity requirements could result in a default under the terms of our facility agreements if we are unable to obtain a waiver or amendment from our lenders for such non-compliance. For more information, please see “-We may not have sufficient liquidity to meet our obligations as they fall due or have the ability to raise new capital or refinance or amend existing indebtedness on acceptable terms” and “-The covenants in our debt agreements impose operating and financial restrictions on us that could significantly impact our ability to operate our business and a breach of which could result in a default under the terms of these agreements, which could accelerate our repayment of funds that we have borrowed.”

There is inherent uncertainty in the outcome of this amendment request process, and therefore we are also preparing certain contingency plans in the event a consensual agreement is not reached with respect to one or more of our amendment requests.

We may not have sufficient liquidity to meet our obligations as they fall due or have the ability to raise new capital or refinance existing indebtedness on acceptable terms, all of which could adversely affect our business and financial condition.

As at December 31, 2019, we had $6,759 million in principal amount of interest-bearing debt (excluding related party debt of $314 million). This includes our 12% (4% payable in cash and 8% PIK secured notes due 2025 (the "**Senior Secured Notes**") issued in connection with our Chapter 11 Proceedings, of which $476 million in principal (including capitalized PIK interest) amount was outstanding as at December 31, 2019. Our debt is secured by, among other things, liens on our drilling units, investments in affiliates and available cash. As at December 31, 2019, we had $5,662 million in principal amount of debt outstanding under our secured credit facilities, which will start to mature in 2022.

Our substantial indebtedness could have significant adverse consequences for an investment in us and on our business, financial condition and future prospects, including the following:

- we may not be able to satisfy our financial obligations under our indebtedness and our contractual and commercial commitments, which may result in possible defaults on and acceleration of such indebtedness;
- we may not be able to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- less leveraged competitors could have a competitive advantage because they have lower debt service requirements and, as a result, we may not be better positioned to withstand economic downturns;
- we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our competitors and our management's discretion in operating our business may be limited; and
- other factors described below.

Our outstanding indebtedness and potential future indebtedness could adversely affect our business (including future prospects) and liquidity position, since a substantial portion of our cash flow from operations will be dedicated to the payment of interest and principal and will not be available for other purposes. Similarly, the fact that our debt is secured by our assets means that we are restricted in our ability to use these assets or their proceeds for debt service or other corporate purposes.

Our debt service is anticipated to be primarily comprised of interest through at least Q1 2021 because our facility agreements contain certain provisions that allow us to elect to defer and convert up to $500 million in the aggregate of scheduled amortization payments under certain of our credit facilities. We have already elected to use a portion of this capacity with respect to the first scheduled amortization installments under our credit facilities occurring in Q1 2020. We intend to continue exercising this option for each subsequent scheduled amortization payment date until such capacity is fully utilized; however, we cannot guarantee that we will be able to satisfy the conditions set forth in the facility agreements in order to be able to do so. Please also see "-We are in ongoing negotiations with our lenders to obtain certain amendments to our credit facilities, and the outcome of our amendment request process and our related contingency planning efforts is uncertain and could adversely affect our business and liquidity." Furthermore, any exercise of the amortization conversion election described above and the terms of any amendments to our facility agreements could ultimately have the effect of increasing our total debt service costs for these credit facilities, which could further exacerbate certain risks associated with our substantial leverage.

We also have provided guarantees over certain debt facilities of our affiliates and related companies. If our affiliates or related companies are unable to meet their obligations under such facilities, the lenders could look to us to meet such liabilities. For more information, please see "-We have suffered, and may continue to suffer, losses through our investments in other companies in the offshore drilling and oilfield services industry, which could have a material adverse effect on our business, financial condition, results of operations and cash flows."

Our ability to meet our debt service obligations and to fund planned expenditures will be dependent upon, among other things, our future performance, which will be subject to, and our substantial indebtedness may make us more vulnerable to, prevailing economic conditions (including increases in interest rates), industry cycles, other industry conditions, and financial, business, regulatory and other factors affecting our operations, many of which are beyond our control. Our future cash flows may be insufficient to meet all our debt obligations and contractual commitments, and any insufficiency could negatively impact our business. To the extent that we are unable to repay our indebtedness as it becomes due or at maturity (including as a result of any acceleration thereof), we may need to refinance or restructure our debt, raise new debt, reduce or delay capital expenditures, sell assets, repay the debt with the proceeds from equity offerings, or take other actions. We cannot assure you that any of these actions could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on our outstanding indebtedness and to fund our other liquidity needs. Also, the terms of existing or future debt agreements may restrict us from pursuing any of these actions. Furthermore, reducing or delaying capital expenditures or selling assets could impair future cash flows and our ability to service our debt in the future.

If for any reason we are unable to meet our debt service and repayment obligations under our debt agreements, we would be in default under the terms of the agreements governing such indebtedness, which may allow creditors at that time to declare all such indebtedness then outstanding to be due and payable. This would likely in turn trigger cross-acceleration or cross-default rights among our other debt agreements. Under these circumstances, if the amounts outstanding under our existing and future debt agreements were to be accelerated, or were the subject of foreclosure actions, we cannot assure you that our assets would be sufficient to repay in full the money owed to our lenders or to our other debt holders. Furthermore, if our assets are foreclosed upon, we will not have any income-producing assets left, and as such, we may not be able to generate any cash flow in the future.

The covenants in our debt agreements impose operating and financial restrictions on us that could significantly impact our ability to operate our business and a breach of which could result in a default under the terms of these agreements, which could accelerate our repayment of funds that we have borrowed.

Our credit facility agreements and the indenture governing the Senior Secured Notes impose, and future financial obligations may impose, operating and financial restrictions on us. These restrictions may prohibit or otherwise limit our ability to fund our operations or capital needs or to undertake certain other business activities without consent of the requisite debt holders, which in turn may adversely affect our financial condition. These restrictions include:

- executing other financing arrangements;
- incurring or guaranteeing additional indebtedness;
- creating or permitting liens on our assets;
- selling our drilling units or the shares of our subsidiaries;
- making investments;
- changing the general nature of our business;
- paying dividends to our shareholders or making other restricted payments;
- changing the management and/or ownership of the drilling units; and
- making capital expenditures.

These restrictions may affect our ability to compete effectively with our competitors, to the extent that they are subject to less onerous restrictions. The interests of our lenders and other debt holders may be different from ours and we may not be able to obtain their consent when beneficial for our business, which may impact our performance or our ability to obtain replacement or additional financing. In addition, the profile of our debt holders has changed since emergence from the Chapter 11 Proceedings, with the replacement of certain relationship banks by debt holders whose focus may be shorter-term in nature or different. The new profile of our debt holders may make it more difficult for us to obtain consents from our debt holders when beneficial to our business or to obtain replacement or additional financing.

The different rankings in the capital structure of our lenders and other debt holders and the collateral arrangements which they benefit from in relation to different assets and the consequential complex intercreditor arrangements that exist mean that the interests of our debt holders will not always be aligned, which may make it more difficult for us to obtain their consents when beneficial to our business or to obtain replacement or additional financing.

Following emergence from Chapter 11 Proceedings on the Effective Date, with exception of minimum liquidity requirements, we are exempt from financial covenants until Q1 2021. Thereafter, in addition to minimum liquidity requirements, we are required to maintain and satisfy certain financial ratios and covenants relating to net leverage and debt service coverage.

The time that we spent subject to Chapter 11 Proceedings has utilized some of the period for which we were able to negotiate financial covenant flexibility and reduced the period available for the Group to operate outside of Chapter 11 Proceedings to reach a position of compliance with the financial covenants when they do apply.

We currently anticipate that we will not be able to meet the net leverage and debt service financial coverage covenants in our debt agreements when they begin to apply in 2021. We are in discussions with our lenders to either obtain a waiver or amendment of these financial covenant requirements. If we are unable to comply with the net leverage and debt service coverage covenants in our debt agreements between Q1 2021 and Q4 2021, this will lead to an interest margin increase of up to 100 bps in the form of PIK interest; however, this does not constitute an event of default. Thereafter, if we are unable to comply with any of these restrictions and covenants, and we are unable to obtain a waiver or amendment from our lenders for such non-compliance, a default could occur under the terms of those debt agreements. We have also forecasted that we will not be able to meet the requirements under our ongoing liquidity financial covenant contained in the facility agreements during certain periods occurring after the twelve-month period following the date of this report. If our amendment requests for certain liquidity enhancing measures are not successful, including with respect to the conversion of certain interest payments to PIK and the deferral of certain scheduled amortization payments then there is an increased risk that we will breach these liquidly requirements sooner than currently anticipated after such twelve-month period following the date of this report. Failure to comply with such liquidity requirements could result in a default under the terms of our facility agreements if we are unable to obtain a waiver or amendment from our lenders for such non-compliance. Any future debt agreement or amendment to any existing debt agreement we enter into may contain similar or more restrictive operating and financial covenants. We cannot guarantee that we would be able to obtain our lenders' waiver or consent with respect to any such non-compliance on acceptable terms or at all. If a default occurs under these agreements, lenders could terminate their commitments to lend, accelerate the outstanding loans, declare all amounts borrowed due and payable and/or exercise other enforcement rights. Events beyond our control, including changes in the economic and business conditions in the markets in which we operate, may affect our ability to comply with these financial ratios and other covenants.

Our debt agreements contain cross-default provisions (or, in certain instances, cross-acceleration provisions), meaning that if we are in default under one of our debt agreements, amounts outstanding under our other debt agreements may also be in default, accelerated and become due and payable. Our drilling units also serve as security under certain of our debt agreements. If our lenders were to foreclose their liens on our drilling units in the event of a default, this may impair our ability to continue our operations or generate any cash flow in the future. As at December 31, 2019, we had $6,759 million of interest-bearing debt secured by, among other things, liens on our drilling units.

If any of the aforementioned events occurs, our assets may be insufficient to repay all our outstanding indebtedness in full, and we may be unable to find alternative financing. Even if we could obtain alternative financing, that financing might not be on terms that we consider favorable or acceptable. Moreover, in connection with any further waivers of or amendments to our credit facilities that we may obtain, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing credit facilities. Any of these events may further restrict our ability to pay dividends, repurchase our common shares, make capital expenditures or incur additional indebtedness.

In addition, the failure of certain of our affiliated or related companies to service their debt requirements and comply with the provisions contained in their debt agreements may lead to an event of default under such agreements, which may have a material adverse effect on us. If a default occurs under the debt agreements of certain of our affiliated or related companies, the lenders and our other debt holders could accelerate the outstanding borrowings and declare all amounts outstanding due and payable. In this case, if such entities are unable to obtain a waiver or an amendment to the applicable provisions of the debt agreements, or do not have enough cash on hand to repay the outstanding borrowings, the lenders and other secured debt holders may, among other things, foreclose their liens on the drilling units and other assets securing the loans and other secured debt, if applicable, or seek repayment of such debt from such entities.

Certain of our affiliated or related companies may be unable to service their debt requirements and comply with the provisions contained in their loan agreements.

The failure of certain of the Company's affiliated or related companies to service their debt requirements and comply with the provisions contained in their debt agreements may lead to an event of default under such agreements, which may have a material adverse effect on the Group. Such affiliated and related companies include (i) Asia Offshore Drilling ("AOD"), (ii) certain subsidiaries of SFL Corporation Ltd ("Ship Finance"), and (iii) certain subsidiaries of Seabras Sapura.

If a default occurs under the debt agreements of our affiliated or related companies, the lenders and other debt holders could accelerate the outstanding borrowings and declare all amounts outstanding due and payable. In this case, if such entities are unable to obtain a waiver or an amendment to the applicable provisions of the debt agreements, or do not have enough cash on hand to repay the outstanding borrowings, the lenders and other secured debt holders may, among other things, foreclose their liens on the drilling units and other assets securing the loans and other secured debt, if applicable, or seek repayment of such debt from such entities.

We have provided guarantees over certain debt facilities of our affiliates and related companies. If our affiliates or related companies are unable to meet their obligations outlined above, the lenders could look to us to meet such liabilities. Some examples are outlined in the following paragraphs. If any of these events occur, we may not be able to satisfy our obligations under the guarantees or support agreements described above. For more information, please see "-We may not have sufficient liquidity to meet our obligations as they fall due or have the ability to raise new capital or refinance existing indebtedness on acceptable terms, all of which could adversely affect our business and financial condition."

We have provided guarantees over AOD's $210 million senior secured debt as we have in respect of the bank facilities of other members of the Group and may not have sufficient funds to repay lenders in full if they seek to enforce the guarantees.

We have an outstanding financial guarantee over one of Seabras Sapura's senior secured credit facility agreements that was used to partially fund the acquisition of the pipe-laying support vessel *Sapura Esmeralda*. As a condition to the lenders making the loan available to Seabras Sapura, we provided a sponsor guarantee, on a joint and several basis with our joint venture partner, Sapura Energy. The total amount guaranteed by the joint venture partners as at December 31, 2019 was $146 million. If Seabras Sapura is unable to meet its obligations under the above references credit facilities, the lenders could look to us to meet such liabilities.

We also consolidate certain subsidiaries of Ship Finance into our Consolidated Financial Statements as variable interest entities or VIEs. To the extent that the VIEs default under their indebtedness and their debt becomes classified as current in their financial statements, we would in turn mark such indebtedness as current in our Consolidated Financial Statements. The characterization of the indebtedness in our Consolidated Financial Statements as current may, among other things, adversely impact our compliance with the covenants contained in our existing and future debt agreements.

Our debt agreements also contain cross-default and cross-acceleration provisions that may be triggered if we fail to comply with our obligations under the guarantees or support agreements described above. Such cross-defaults and cross-accelerations, as applicable, could result in the acceleration of the maturity of the debt under our agreements and our lenders or other secured debt holders may foreclose upon any collateral securing that debt, including our drilling units and other assets, even if such default was subsequently cured. In the event of such acceleration and foreclosure, we will not have sufficient funds or other assets to satisfy all our obligations.

A number of our affiliates or related companies are joint ventures, to which we may have funding obligations. Our partners in these joint ventures may have different objectives or strategies or different financial positions from us and this may affect how these joint ventures perform, how they are supported, their compliance with the financing and contractual arrangements to which they are subject and our interests in and cash flows from them. In addition, affiliates or related companies that we do not control may take actions that we would not have taken or fail to take action which we would have taken.

The occurrence of any of the events described above would have a material adverse effect on our business and may impair our ability to continue as a going concern.

If Mermaid International Ventures exercises its Put Option, we may be required to issue Seadrill common shares, which would dilute our shareholders' current ownership interests.

In connection with the bankruptcy process, our Predecessor executed a Transaction Support Agreement ("TSA") on April 4, 2018 with a minority shareholder, Mermaid International Ventures ("Mermaid"), of one of our subsidiaries, Asia Offshore Drilling Limited ("AOD"). The purpose of the TSA was to obtain unanimous approval of the AOD board of directors (which included Mermaid) in order for AOD to become a party to the TSA and participate in the Predecessor's broader debt restructuring under its Chapter 11 reorganization.

The TSA provides a framework for a monetization event for Mermaid in the form of an option to sell the shares it owns in AOD to Seadrill for fair value subject to a $125 million price ceiling ("Put Option"). The Put Option generates a redemption feature for the non-controlling interest

held by Mermaid that is outside the control of Seadrill. The rights under the Put Option may be exercised through September 30, 2020, subject to certain limited short-term extensions. Consideration from Seadrill, should Mermaid exercise the Put Option, is up to $50 million in cash, with the remainder (if any) in Seadrill common shares. Refer to Note 27 - "Redeemable non-controlling interest" to the Consolidated Finance Statements included herein for further information.

The Put Option process formally will commence, if at all, when Mermaid issues a notice requesting a valuation of Mermaid's AOD shares (the "Valuation Notice") agreed upon by Seadrill and Mermaid or, if needed, a valuation of the AOD shares determined by an expert appointed by an arbitrator. After receipt of the requested valuation, Mermaid may issue a notice to Seadrill that Mermaid is exercising its Option Right (the "Option Notice"). Seadrill must purchase Mermaid's shares in AOD no later than fifteen calendar days from receipt of the Option Notice.

The table below illustrates the estimated value of Mermaid's AOD shares assuming a range of possible rig values, including drilling contracts:

Value per drilling unit, including drilling contract (in millions)	$60	$70	$80	$90	$100
Estimated value of Mermaid's AOD shares (33.76% of estimated value of AOD equity in total) (in millions)	$20	$30	$40	$50	$60

The value ultimately agreed upon by Seadrill and Mermaid or, if needed, the valuation of the shares determined by an expert appointed by an arbitrator may differ from the values reflected in the table above. Any obligation to Mermaid to issue Seadrill common shares will increase the number of our common shares issued and outstanding, which may depress the price of our common shares and cause our shareholders to experience dilution in their respective percentage ownership in us.

Furthermore, any issuance of shares to Mermaid could result in significant ownership of Seadrill by one entity, which could increase uncertainty regarding the future direction of the Company. A significant shareholder may make it difficult to approve certain transactions even if they are supported by other shareholders, which may have an adverse effect on the trading price of our common shares. These factors could have a material adverse effect on us.

Our customers may seek to cancel or renegotiate their contracts to include unfavorable terms such as unprofitable rates, particularly in the circumstance that operations are suspended or interrupted.

During current or worsened market conditions, some of our customers may seek to terminate their agreements with us. Some of our customers have the right to terminate their drilling contracts without cause upon the payment of an early termination fee. The general principle is that such early termination fee shall compensate us for lost revenues less operating expenses for the remaining contract period; however, in some cases, such payments may not fully compensate us for the loss of the drilling contract.

Under certain circumstances our contracts may permit customers to terminate contracts early without the payment of any termination fees, as a result of non-performance, periods of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events beyond our control. In addition, national oil company customers may have special termination rights by law. During periods of challenging market conditions, we may be subject to an increased risk of our customers seeking to repudiate their contracts, including through claims of non-performance. Our customers may seek to renegotiate their contracts with us using various techniques, including threatening breaches of contract and applying commercial pressure, resulting in lower dayrates or the cancellation of contracts with or without any applicable early termination payments.

Reduced dayrates in our customer contracts and cancellation of drilling contracts (with or without early termination payments) may adversely affect our performance and lead to reduced revenues from operations.

Our contract backlog for our fleet of drilling units may not be realized.

As of December 31, 2019, our contract backlog was approximately $2.5 billion. The contract backlog presented in this annual report on Form 20-F and our other public disclosures is only an estimate. The actual amount of revenues earned and the actual periods during which revenues are earned will be different from the contract backlog projections due to various factors, including shipyard and maintenance projects, downtime and other events within or beyond our control. In addition, we or our customers may seek to cancel or renegotiate our contracts for various reasons, including adverse conditions, such as the current environment, resulting in lower dayrates. In some instances, there is an option for a customer to terminate a drilling contract prematurely for convenience on payment of an early termination fee. However, this fee may not adequately compensate us for the loss of this drilling contract. Our inability, or the inability of our customers, to perform under our or their contractual obligations may have a material adverse effect on our financial position, results of operations and cash flows.

We may not be able to renew or obtain new and favorable contracts for our drilling units whose contracts have expired or have been terminated.

During the previous period of high utilization and high dayrates, which we now believe ended in early 2014, industry participants ordered the construction of new drilling units, which resulted in an over-supply and caused, in conjunction with deteriorating industry conditions, a subsequent decline in utilization and dayrates when the new drilling units entered the market. A relatively large number of the drilling units currently under construction have not been contracted for future work, and a number of units in the existing worldwide fleet are currently off-contract.

As at December 31, 2019, we had 17 current or future contracted units and 18 idle units (of which two are "warm stacked" and 16 are "cold stacked"). Of the contracted units we expect five to become available in 2020, three in 2021, and nine thereafter. Our ability to renew contracts

or obtain new contracts will depend on our customers and prevailing market conditions, which may vary among different geographic regions and types of drilling units.

The over-supply of drilling units will be exacerbated by the entry of newbuild rigs into the market, many of which are without firm drilling contracts. The supply of available uncontracted units has intensified price competition as scheduled delivery dates occur and contracts terminate without renewal, reducing dayrates as the active fleet grows. Customers may opt to contract older rigs in order to reduce costs which could adversely affect our ability to obtain new drilling contracts due to our newer fleet.

In addition, as our fleet of drilling units becomes older, any competitive advantage of having a modern fleet may be reduced to the extent that we are unable to acquire newer units or enter into newbuilding contracts as a result of financial constraints. For as long as there is an oversupply of drilling rigs, it may be more difficult for older rigs to secure extensions or new contract awards.

If we are unable to secure contracts for our drilling units upon the expiration of our existing contracts, we may continue to idle or stack our units. When idled or stacked, drilling units do not earn revenues, but continue to require cash expenditures for crews, fuel, insurance, berthing and associated items. As at December 31, 2019 we had 18 units either “warm stacked,” which means the rig is kept operational and ready for redeployment, and maintains most of its crew, or “cold stacked,” which means the rig is stored in a harbor, shipyard or a designated offshore area, and the crew is reassigned to an active rig or dismissed. Please see “- Our drilling contracts contain fixed terms and day-rates, and consequently we may not fully recoup our costs in the event of a rise in expenses, including operating and maintenance costs” for more information.

If we are not able to obtain new contracts in direct continuation of existing contracts, or if new contracts are entered into at dayrates substantially below the existing dayrates or on terms otherwise less favorable compared to existing contract terms, our revenues and profitability could be adversely affected. We may also be required to accept more risk in areas other than price to secure a contract and we may be unable to push this risk down to other contractors or be unable or unwilling at competitive prices to insure against this risk, which will mean the risk will have to be managed by applying other controls. This could lead to us being unable to meet our liabilities in the event of a catastrophic event on one of our rigs. Any of the events described above could impair our ability to generate sufficient cash flow to meet our debt service obligations, capital expenditure and other obligations. For more information, please see “-We may not have sufficient liquidity to meet our obligations as they fall due or have the ability to raise new capital or refinance existing indebtedness on acceptable terms, all of which could adversely affect our business and financial condition.”

The market value of our drilling units may decrease.

The market values of drilling units have been trending lower as a result of the continued decline in the price of oil, which has impacted the spending plans of our customers and utilization of the global fleet. If the offshore drilling industry suffers further adverse developments in the future, the fair market value of our drilling units may decrease further. Upon emergence from the Chapter 11 Proceedings, our assets, including drilling units, were recognized at fair value. The fair market value of the drilling units that we currently own, or may acquire in the future, may increase or decrease depending on a number of factors, including:

- the general economic and market conditions affecting the offshore contract drilling industry, including competition from other offshore contract drilling companies;
- the types, sizes and ages of drilling units;
- the supply and demand for drilling units;
- the costs of newbuild drilling units;
- the prevailing level of drilling services contract dayrates;
- governmental or other regulations; and
- technological advances.

If drilling unit values fall significantly, we may have to record an impairment adjustment in our Consolidated Financial Statements, which could adversely affect our financial results and condition. Additionally, if we sell one or more of our drilling units at a time when drilling unit prices have fallen and before we have recorded an impairment adjustment to our Consolidated Financial Statements, the sale price may be less than the drilling unit’s carrying value in our Consolidated Financial Statements, resulting in a loss on disposal and a reduction in earnings and cause us to breach the covenants in our finance agreements. For more information, see “-The current downturn in activity in the oil and gas drilling industry has had and is likely to continue to have an adverse impact on our business and results of operations.”

Our business and operations involve numerous operating hazards, and in the current market we are increasingly required to take additional contractual risk in our customer contracts and we may not be able to procure insurance to adequately cover potential losses.

Our operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch-throughs, cratering, fires, explosions and pollution. Contract drilling and well servicing requires the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers and third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers, investigations and other proceedings by regulatory authorities which may involve fines and other sanctions, and suspension of operations. Our offshore fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather (which may be more acute in certain areas where we operate) and marine life infestations. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. We customarily provide contract indemnity to our customers for claims that could be asserted by us relating to damage to or loss of our equipment, including rigs and claims that could be asserted by us or our employees relating to personal injury or loss of life.

Damage to the environment could also result from our operations, particularly through spillage of fuel, lubricants or other chemicals and substances used in drilling operations or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies.

Our insurance policies and contractual rights to indemnity may not adequately cover losses, and we do not have insurance coverage or rights to indemnity for all risks. Consistent with standard industry practice, our customers generally assume, and indemnify us against certain risks, for example, well control and subsurface risks, and we generally assume, and indemnify against, above surface risks (including spills and other events occurring on our rigs). Subsurface risks indemnified by our customers generally include risks associated with the loss of control of a well, such as blowout or cratering or uncontrolled well-flow, the cost to regain control of or re-drill the well and associated pollution. However, there can be no assurances that these customers will be willing or financially able to indemnify us against these risks under our contracts. The terms of our drilling contracts vary based on negotiation, applicable local laws and regulations and other factors, and in some cases, customers may seek to cap indemnities or narrow the scope of their coverage, reducing our level of contractual protection.

In addition, a court may decide that certain indemnities in our current or future contracts are not enforceable. For example, in a decision in a case related to the fire and explosion that took place on the unaffiliated Deepwater Horizon Mobile Offshore Drilling Unit in the Gulf of Mexico in April 2010, or the Deepwater Horizon Incident (to which we were not a party), a U.S. District Court invalidated certain contractual indemnities under a drilling contract governed by U.S. law. Further, pollution and environmental risks generally are not totally insurable. If a significant accident or other event occurs that is not fully covered by our insurance or an enforceable or recoverable indemnity from a customer, the occurrence could adversely affect our performance.

The amount recoverable under insurance may also be less than the related impact on enterprise value after a loss or not cover all potential consequences of an incident and include annual aggregate policy limits. As a result, we retain the risk through self-insurance for any losses in excess of these limits. Any such lack of reimbursement may cause us to incur substantial costs.

We could decide to retain more risk through self-insurance in the future. This self-insurance results in a higher risk of losses, which could be material, which are not covered by third-party insurance contracts. Specifically, we have at times in the past elected to self-insure for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico due to the substantial costs associated with such coverage. Although we currently insure a limited part of this windstorm risk pursuant to a policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a combined single limit of $100 million in the annual aggregate, this policy is subject to certain exclusions and limitations and may not be sufficient to cover future losses caused by such storms. In addition, if we elect to self-insure such risks again in the future and such windstorms cause significant damage to any rig and equipment we have in the U.S. Gulf of Mexico, it could have a material adverse effect on our financial position, results of operations and cash flows.

No assurance can be made that we will be able to maintain adequate insurance in the future at rates that we consider reasonable, or that we will be able to obtain insurance against certain risks.

We rely on a small number of customers and our results of operations could be materially adversely affected if any of our major customers fail to compensate us for our services.

Our contract drilling business is subject to the risks associated with having a limited number of customers for our services. For the twelve months ended December 31, 2019, our five largest customers, Total, Saudi Aramco, Northern Drilling, ConocoPhillips and Equinor, accounted for approximately 67% of our revenues. In addition, mergers among oil and gas exploration and production companies will further reduce the number of available customers, which would increase the ability of potential customers to achieve pricing terms favorable to them. Our results of operations could be materially adversely affected if any of our major customers fail to compensate us for our services or take actions outlined above. Please see "-Our customers may seek to cancel or renegotiate their contracts to include unfavorable terms such as unprofitable rates, particularly in the circumstance that operations are suspended or interrupted" for more information.

We are subject to risks of loss resulting from non-payment or non-performance by our customers and certain other third parties. Some of these customers and other parties may be highly leveraged and subject to their own operating and regulatory risks. If any key customers or other parties default on their obligations to us, our financial results and condition could be adversely affected. Any material non-payment or non-performance by these entities, other key customers or certain other third parties could adversely affect our financial position, results of operations and cash flows.

Our drilling contracts contain fixed terms and day-rates, and consequently we may not fully recoup our costs in the event of a rise in expenses, including reactivation, operating and maintenance costs.

Our operating costs are generally related to the number of units in operation and the cost level in each country or region where the units are located. A significant portion of our operating costs may be fixed over the short term.

The majority of our contracts have dayrates that are fixed over the contract term. To mitigate the effects of inflation on revenues from term contracts, most of our long-term contracts include escalation provisions. These provisions allow us to adjust the dayrates based on stipulated external cost indices, including wages, insurance and maintenance costs. However, actual cost increases may result from events or conditions that do not cause correlative changes to the applicable indices. Furthermore, certain indices are updated semi-annually, and therefore may be outdated at the time of adjustment. The adjustments are typically performed on a semi-annual or annual basis. For these reasons, the timing and amount awarded as a result of such adjustments may differ from our actual cost increases, which could adversely affect our financial performance. Some of our long-term contracts contain rate adjustment provisions based on market dayrate fluctuations rather than cost increases. In such contracts, the dayrate could be adjusted lower during a period when costs of operation rise, which could adversely affect our financial performance. In addition, our contracts typically contain provisions for either fixed or dayrate compensation during mobilization. These rates may not fully cover our costs of mobilization, and mobilization may be delayed, increasing our costs, without additional compensation from the customer, for reasons beyond our control.

In connection with new assignments, we might incur expenses relating to preparation for operations under a new contract. Expenses may vary based on a number of factors including the scope and length of such required preparations, whether the relevant unit is idle or stacked and reactivation is required, and the duration of the contractual period over which such expenditures are amortized.

Equipment maintenance costs fluctuate depending upon the type of activity that the unit is performing and the age and condition of the equipment, as well as the applicable environmental, safety and maritime regulations and standards. Our operating expenses and maintenance costs depend on a variety of factors, including crew costs, provisions, equipment, insurance, maintenance and repairs, and shipyard costs, many of which are beyond our control.

In situations where our drilling units incur idle time between assignments, the opportunity to reduce the size of our crews on those drilling units is limited, as the crews will be engaged in preparing the unit for its next contract. When a unit faces longer idle periods, reductions in costs may not be immediate as some of the crew may be required to prepare drilling units for stacking and maintenance in the stacking period. Should units be idle for a longer period, we will seek to redeploy crew members who are not required to maintain the drilling unit to active rigs, to the fullest extent possible. However, there can be no assurance that we will be successful in reducing our costs in such cases.

Operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues. Operating revenues may fluctuate as a function of changes in supply of offshore drilling units and demand for contract drilling services. This could adversely affect our revenue from operations. For more information please see "-The success and growth of our business depend on the level of activity in the offshore oil and gas industry generally, and the drilling industry specifically, which are both highly competitive and cyclical, with intense price competition," "-Our customers may seek to cancel or renegotiate their contracts to include unfavorable terms such as unprofitable rates, particularly in the circumstance that operations are suspended or interrupted" and "-Our contract backlog for our fleet of drilling units may not be realized."

Consolidation and governmental regulation of suppliers may increase the cost of obtaining supplies or restrict our ability to obtain needed supplies.

We rely on certain third parties to provide supplies and services necessary for our offshore drilling operations, including, but not limited to, drilling equipment suppliers, catering and machinery suppliers. Recent mergers have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. With respect to certain items, such as blow-out preventers or "BOPs" and drilling packages, we are dependent on the original equipment manufacturer for repair and replacement of the item or its spare parts. Such consolidation, combined with a high volume of drilling units under construction, may result in a shortage of supplies and services, thereby increasing the cost of supplies and/or potentially inhibiting the ability of suppliers to deliver on time. These cost increases or delays could have a material adverse effect on our results of operations, resulting in rig downtime, and delays in the repair and maintenance of our drilling rigs.

We may be unable to obtain, maintain, and/or renew permits necessary for our operations or experience delays in obtaining such permits including the class certifications of rigs.

The operation of our drilling units will require certain governmental approvals, the number and prerequisites of which cannot be determined until we identify the jurisdictions in which we will operate on securing contracts for the drilling units. Depending on the jurisdiction, these governmental approvals may involve public hearings and costly undertakings on our part. We may not obtain such approvals or such approvals may not be obtained in a timely manner. If we fail to secure the necessary approvals or permits in a timely manner, our customers may have the right to terminate or seek to renegotiate their drilling contracts to our detriment.

Every offshore drilling unit is a registered marine vessel and must be "classed" by a classification society to fly a flag. The classification society certifies that the drilling unit is "in-class," signifying that such drilling unit has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the drilling unit's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned. Our drilling units are certified as being "in class" by the American Bureau of Shipping, or ABS, Det Norske Veritas and Germanisher Lloyd, or DNV GL, and the relevant national authorities in the countries in which our drilling units operate. If any drilling unit loses its flag status, does not maintain its class and/or fails any periodical survey or special survey, the drilling unit will be unable to carry on operations and will be unemployable and uninsurable, which could cause us to be in violation of certain covenants in certain of our debt agreements. Any such inability to carry on operations or be employed could have a material adverse impact on the results of operations. Please see "Item 8. Financial Information-Legal Proceedings-Seabras Sapura joint venture" for more information.

The international nature of our operations involves additional risks including foreign government intervention in relevant markets, for example in Brazil.

We operate in various regions throughout the world. As a result of our international operations, we may be exposed to political and other uncertainties, particularly in less developed jurisdictions, including risks of:

- terrorist acts, armed hostilities, war and civil disturbances;
- acts of piracy, which have historically affected ocean-going vessels;
- abduction, kidnapping and hostage situations;
- significant governmental influence over many aspects of local economies;
- the seizure, nationalization or expropriation of property or equipment;
- uncertainty of outcome in foreign court proceedings;
- the repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, and the imposition of trade barriers;
- U.S., European Union and foreign sanctions or trade embargoes;
- receiving a request to participate in an unsanctioned foreign boycott under U.S. law;
- compliance with various jurisdictional regulatory or financial requirements;
- compliance with and changes to taxation;
- other forms of government regulation and economic conditions that are beyond our control;
- legal and economic systems that are not as mature or predictable as those in more developed countries, which may lead to greater uncertainty in legal and economic matters; and
- government corruption.

In addition, international contract drilling operations are subject to various laws and regulations of the countries in which we operate, including laws and regulations relating to:

- the equipping and operation of drilling units;
- exchange rates or exchange controls;
- the repatriation of foreign earnings;
- oil and gas exploration and development;
- the taxation of offshore earnings and the earnings of expatriate personnel; and
- the use and compensation of local employees and suppliers by foreign contractors.

Some foreign governments favor or effectively require (i) the awarding of drilling contracts to local contractors or to drilling rigs owned by their own citizens, (ii) the use of a local agent or (iii) foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete in those regions. It is difficult to predict what government regulations may be enacted in the future that could adversely affect the international drilling industry. The actions of foreign governments, including initiatives by OPEC, may adversely affect our ability to compete. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, the denial of export privileges, injunctions or seizures of assets.

In the years ended December 31, 2019, 2018 and 2017, 10%, 22% and 17%, respectively, of our revenues were derived from our Brazilian operations. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, changes in interest rates, changes in tax policies, changes in legislation, wage controls, price controls, currency devaluations, capital controls and limits on imports of goods and services. Changes to fiscal and monetary policy, the regulatory environment of our industry, and legislation could impact our performance.

The Brazilian markets have experienced heightened volatility in recent years due to the uncertainties derived from the ongoing investigations being conducted by the Office of the Brazilian Federal Prosecutor, the Brazilian Federal Police, the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), the Securities and Exchange Commission, the U.S. Department of Justice, and other Brazilian and foreign public authorities, including the largest such investigation known as *Lava Jato*, and the impact that such investigations have on the Brazilian economy and political environment. Numerous elected officials, public servants and executives and other personnel of large and state-owned companies have been subject to investigation, arrest, criminal charges and other proceedings in connection with allegations of political corruption, including the acceptance of bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies, among others. The profits of these kickbacks allegedly financed the political campaigns of political parties that were unaccounted for or not publicly disclosed and served to personally enrich the recipients of the bribery scheme. Individuals who have had commercial arrangements with us have been identified in the *Lava Jato* investigations and the investigations by the Brazilian authorities are ongoing. The outcome of certain of these investigations is uncertain, but they have already had an adverse impact on the business, image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials or executives will arise in the future. We also cannot predict the outcome of any such allegations on the Brazilian economy, and the Lava Jato investigation could adversely affect our business and operations. In addition, conservative presidential candidate Jair Bolsonaro assumed office on January 1, 2019. Uncertainty about the ability of the Bolsonaro administration to adopt and implement new policies may reduce investor and market confidence and we are unable to predict the political and economic direction of Brazil in coming years.

These and other developments in Brazil's political conditions, economy and government policies may, directly or indirectly, adversely affect our business, financial condition and results of operations.

Compliance with, and breach of, the complex laws and regulations governing international trade could be costly, expose us to liability and adversely affect our operations.

Our business in the offshore drilling industry is affected by laws and regulations relating to the energy industry and the environment in the geographic areas where we operate.

Accordingly, we are directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail exploration and development drilling for oil and gas. For example, on December 20, 2016, the United States President invoked a law to ban offshore oil and gas drilling in large areas of the Arctic and the Atlantic Seaboard. While the current administration has since attempted to lift the ban and open certain of those areas to oil and gas drilling, the President's legal authority to do so has been challenged and as a result it is difficult to predict if and when such areas may be made available for future exploration activities. A ban on new drilling in Canadian Arctic waters was announced simultaneously. We may be required to make significant capital expenditures or operational changes to comply with governmental laws and regulations. It is also possible that these laws and regulations may, in the future, add significantly to our operating costs or significantly limit drilling activity.

Import activities are governed by unique customs laws and regulations in each of the countries of operation. Moreover, many countries, including the United States, control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations.

The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which are outside our control and some of which may result from the failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime. Any failure to comply with applicable legal and regulatory trading obligations could also result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, the seizure of shipments, and the loss of import and export privileges.

Offshore drilling in certain areas, including arctic areas, has been curtailed and, in certain cases, prohibited because of concerns over protecting the environment.

New laws or other governmental actions that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or to the offshore drilling industry, in particular, could adversely affect our performance.

The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas could have a material adverse effect on our business, results of operations or financial condition. Future earnings may be negatively affected by compliance with any such new legislation or regulations.

We are subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous international, national, state and local laws and regulations, treaties and conventions in force in international waters and the jurisdictions in which our drilling units operate or are registered, which can significantly affect the ownership and operation of our drilling units. These requirements include, but are not limited to:

- conventions under the auspices of the United Nation's International Maritime Organization ("IMO");
- the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended ("MARPOL");
- the International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended ("CLC");
- the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention"), the International Convention for the Safety of Life at Sea of 1974, as from time to time amended ("SOLAS");
- the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code");
- the IMO International Convention on Load Lines of 1966, as from time to time amended, the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004 (the "BWM Convention");
- EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations;
- the U.S. Oil Pollution Act of 1990 ("OPA");
- requirements of the U.S. Coast Guard ("USCG");
- the U.S. Environment Protection Agency ("EPA");
- the U.S. Comprehensive Environmental Response;
- Compensation and Liability Act ("CERCLA")
- the U.S. Maritime Transportation Security Act of 2002 ("MTSA"); and
- the U.S. Outer Continental Shelf Lands Act and certain regulations of the EU.

Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lifetime of our drilling units. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with them or the impact thereof on the resale prices or useful lives of our rigs. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our operations.

Environmental laws often impose strict liability for the remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. An oil or chemical spill, for which we are deemed a responsible party, could result in us incurring significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, the 2010 explosion of the Deepwater Horizon well and the subsequent release of oil into the Gulf of Mexico, or other similar events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, thus exposing us to further potential financial risk in the event of any such oil or chemical spill.

We and, in certain circumstances, our customers are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, such insurance is subject to exclusions and other limits, and there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition.

Although our drilling units are separately owned by our subsidiaries, under certain circumstances a parent company and all of the unit-owning affiliates in a group under common control engaged in a joint venture could be held liable for damages or debts owed by one of the affiliates, including liabilities for oil spills under OPA or other environmental laws. Therefore, it is possible that we could be subject to liability upon a judgment against us or any one of our subsidiaries.

Our drilling units could cause the release of oil or hazardous substances. Any releases may be large in quantity, above our permitted limits or occur in protected or sensitive areas where public interest groups or governmental authorities have special interests. Any releases of oil or hazardous substances could result in fines and other costs to us, such as costs to upgrade our drilling rigs, clean up the releases and comply with more stringent requirements in our discharge permits, as well as subject us to third party claims for damages, including natural resource damages. Moreover, these releases may result in our customers or governmental authorities suspending or terminating our operations in the affected area, which could have a material adverse effect on our business, results of operations and financial condition.

If we are able to obtain from our customers some degree of contractual indemnification against pollution and environmental damages in our contracts, such indemnification may not be enforceable in all instances or the customer may not be financially able to comply with its indemnity obligations in all cases, and we may not be able to obtain such indemnification agreements in the future. In addition, a court may decide that certain indemnities in our current or future contracts are not enforceable.

The insurance coverage we currently hold may not be available in the future, or we may not obtain certain insurance coverage. Even if insurance is available and we have obtained the coverage, it may not be adequate to cover our liabilities, or our insurance underwriters may be unable to pay compensation if a significant claim should occur. Any of these scenarios could have a material adverse effect on our business, results of operations and financial condition.

Failure to comply with international anti-corruption legislation, including the U.S. Foreign Corrupt Practices Act 1977 or the U.K. Bribery Act 2010, could result in fines, criminal penalties, damage to our reputation and drilling contract terminations.

We currently operate, and historically have operated, our drilling units in a number of countries throughout the world, including some with developing economies. We interact with government regulators, licensors, port authorities and other government entities and officials. Also, our business interaction with national oil companies as well as state or government-owned shipbuilding enterprises and financing agencies puts us in contact with persons who may be considered to be “foreign officials” under the U.S. Foreign Corrupt Practices Act of 1977 or the FCPA and the Bribery Act 2010 of the United Kingdom or the U.K. Bribery Act.

In order to effectively compete in some foreign jurisdictions, we utilize local agents and/or establish entities with local operators or strategic partners. All of these activities may involve interaction by our agents with government officials. Even though some of our agents and partners may not themselves be subject to the FCPA, the U.K. Bribery Act or other anti-bribery laws to which we may be subject, if our agents or partners make improper payments to government officials or other persons in connection with engagements or partnerships with us, we could be investigated and potentially found liable for violations of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on our business and results of operation.

We are subject to the risk that we or our affiliated companies or their respective officers, directors, employees and agents may take actions determined to be in violation of anti-corruption laws, including the FCPA and the U.K. Bribery Act. Any such violation could result in substantial fines, disgorgement, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

If our drilling units are located in countries that are subject to, or targeted by, economic sanctions, export restrictions, or other operating restrictions imposed by the United States, European Union or other governments, our reputation and the market for our debt and common shares could be adversely affected.

The U.S., European Union or and other governments may impose economic sanctions against certain countries, persons and other entities that restrict or prohibit transactions involving such countries, persons and entities. U.S. sanctions in particular are targeted against countries (such as Russia, Venezuela, Iran and others) that are heavily involved in the petroleum and petrochemical industries, which includes drilling activities. U.S., European Union and other economic sanctions change frequently and enforcement of economic sanctions worldwide is increasing.

In 2010, the United States enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of sanctions to non-U.S. companies such as ours and introduced limits on such companies and persons that do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. On August 10, 2012, the U.S. signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which places further restrictions on the ability of non-U.S. companies to do business or trade with Iran and Syria. Perhaps the most significant provision in the Iran Threat Reduction Act is that prohibitions in the existing Iran sanctions applicable to U.S. persons will now apply to any foreign entity owned or controlled by a U.S. person. Another major provision in the Iran Threat Reduction Act is that issuers of securities must disclose in their annual and quarterly reports filed with the Commission after February 6, 2013 if the issuer or “any affiliate” has “knowingly” engaged in certain activities involving Iran during the timeframe covered by the report. At this time, we are not aware of any activities conducted by us or by any affiliate, which is likely to trigger such a disclosure requirement. On January 2, 2013, the U.S. signed into law the Iran Freedom and Counter-Proliferation Act of 2012 (“IFCA”), as a part of the National Defense Authorization Act for Fiscal Year 2013. Among other measures, IFCA authorizes broad sanctions on certain activities related to Iran’s energy, shipping, and shipbuilding sectors.

On July 14, 2015, the P5+1 and the European Union (“E.U.”) announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran’s Nuclear Program, or the JCPOA, to significantly restrict Iran’s ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and not involving U.S. persons. On January 16, 2016, or the Implementation Day, the United States joined the E.U. and the U.N. in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency, or the IAEA, that Iran had satisfied its respective obligations under the JCPOA.

On May 8, 2018, the U.S. announced that it would be withdrawing from the JCPOA. On August 6, 2018, the U.S. issued Executive Order 13846 which reimposed certain sanctions on Iran effective as of that date and set the reimposition of additional sanctions on Iran effective November 5, 2018. On November 5, 2018, following a wind-down period, the U.S. completed the reimposition of nuclear-related sanctions against Iran that it had previously lifted in connection with the JCPOA. Since that time the U.S. has issued additional Executive Orders imposing sanctions with respect to Iran.

The Office of Foreign Assets Control (“OFAC”) acted several times over the past year to add Iranian individuals and entities to its list of Specially Designated Nationals whose assets are blocked and with whom U.S. persons are generally prohibited from dealing, including re-adding on November 5, 2018, hundreds of individuals and entities that had previously been delisted in connection with the JCPOA.

In August 2017, the U.S. passed the "Countering America's Adversaries Through Sanctions Act" (Public Law 115-44) ("CAATSA"), which authorizes imposition of new sanctions on Iran, Russia, and North Korea. The CAATSA sanctions with respect to Russia create heightened sanctions risks for companies operating in the oil and gas sector, including companies that are based outside of the United States. OFAC sanctions targeting Venezuela have likewise increased in the past year, and any new sanctions targeting Venezuela could further restrict our ability to do business in such country. On January 28, 2019, OFAC added the Venezuelan state-owned oil company, Petróleos de Venezuela, S.A. ("PdVSA"), to its List of Specially Designated Nationals and Blocked Persons, increasing the sanctions risk for companies operating in the oil sector. Subsequently, on August 5, 2019, the U.S. issued Executive Order 13884 which further increased sanctions on Venezuela and blocked the entire Government of Venezuela.

In addition to the sanctions against Iran, Russia, and Venezuela, subject to certain limited exceptions, U.S. law continues to restrict U.S. owned or controlled entities from doing business with Cuba and various U.S. sanctions have certain other extraterritorial effects that need to be considered by non-U.S. companies. Moreover, any U.S. persons who serve as officers, directors or employees of our subsidiaries would be fully subject to U.S. sanctions. It should also be noted that other governments are more frequently implementing and enforcing sanctions regimes.

From time to time, we may enter into drilling contracts with countries or government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism where entering into such contracts would not violate U.S. law, or may enter into drilling contracts involving operations in countries or with government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism. However, this could negatively affect our ability to obtain investors. In some cases, U.S. investors would be prohibited from investing in an arrangement in which the proceeds could directly or indirectly be transferred to or may benefit a sanctioned entity. Moreover, even in cases where the investment would not violate U.S. law, potential investors could view such drilling contracts negatively, which could adversely affect our reputation and the market for our shares. We do not currently have any drilling contracts or plans to initiate any drilling contracts involving operations in countries or with government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism.

Certain parties with whom we have entered into contracts may be or may be affiliated with persons or entities that are, the subject of sanctions imposed by the United States, the E.U. or other international bodies as a result of the annexation of Crimea by Russia in March 2014 and the subsequent conflict in eastern Ukraine, or malicious cyber-enabled activities. If we determine that such sanctions require us to terminate existing contracts or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected, or we may suffer reputational harm. Such sanctions may prevent us from performing some or all of our obligations under any potential drilling contracts with Rosneft, which could impact our future revenue, contract backlog and results of operations, and adversely affect our business reputation. We may also lose business opportunities to companies that are not required to comply with these sanctions.

As stated above, we believe that we are in compliance with all applicable economic sanctions and embargo laws and regulations and intend to maintain such compliance. However, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Rapid changes in the scope of global sanctions may also make it more difficult for us to remain in compliance. Any violation of applicable economic sanctions could result in civil or criminal penalties, fines, enforcement actions, legal costs, reputational damage, or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our shares. Additionally, some investors may decide to divest their interest, or not to invest, in our shares simply because we may do business with companies that do business in sanctioned countries. Moreover, our drilling contracts may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us, or our drilling rigs, and those violations could in turn negatively affect our reputation. Investor perception of the value of our shares may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

The economic effects of "Brexit" may affect relationships with existing and future customers and could have an adverse impact on our business and results of operations.

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit," and negotiations remain ongoing to determine the future terms of the U.K.'s relationship with the E.U. The formal notification to the European Council required under Article 50 of the Treaty on European Union was made on March 29, 2017, triggering a two-year period during which the terms of exit are to be negotiated. This period has been extended on several occasions, most recently to January 31, 2020. The Withdrawal Agreement Bill was passed by the U.K. House of Commons on January 9, 2020 and, subject to scrutiny by the U.K. House of Lords, the Withdrawal Agreement Bill approved an 11-month transition period starting on January 31, 2020 in which the U.K. will cease to be a member of the E.U., but will continue to follow the E.U.'s rules and contribute to its budget. In the event a full trade deal is not reached between the U.K. and E.U. by the December 31, 2020 deadline and there is no further extension, trade relations between the U.K. and the E.U. will be governed by any terms agreed within this period or by the World Trade Organization Rules. The impact on our business as a result of Brexit will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations and on the ultimate manner and timing of the U.K.'s withdrawal from the E.U.

As a result of the referendum, the global markets and currencies have been adversely impacted, including a sharp decline in the value of the U.K. pounds sterling as compared to the U.S. dollar. A potential devaluation of the local currencies of our international customers relative to the U.S. dollar may impair the purchasing power of our international customers and could cause international customers to decrease drilling contracts or cancel drilling contracts completely.

Brexit may also lead to legal uncertainty and potentially divergent laws and regulations as the U.K. determines which E.U. laws to retain, and those laws and regulations may be cumbersome, difficult or costly in terms of compliance. Any of these effects of Brexit, among others, could adversely affect our business and results of operations.

We have suffered, and may continue to suffer, losses through our investments in other companies in the offshore drilling and oilfield services industry, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We currently hold investments in several other companies in our industry that own/operate offshore drilling rigs with similar characteristics to our fleet of rigs or deliver various other oilfield services. These investments include equity interests in Seadrill Partners, SeaMex, Sonadrill, Gulfdrill, Archer and Seabras Sapura. In addition, we have provided subordinated loans to Seamex and Seabras Sapura and have various intercompany arrangements with Seadrill Partners, Seamex, Sonadrill and Gulfdrill. These arrangements include management and administrative services agreements pursuant to which we provide Seadrill Partners, Seamex and Sonadrill with certain management and administrative services charged primarily on a cost-plus mark-up basis.

As at December 31, 2019, the carrying value of our equity investments in these companies was $400 million. In addition, we had loan and trade receivables due from related parties with a carrying value of $704 million. Please see Note 15 – Marketable securities, Note 18 – Investment in associated companies, and Note 31 – Related party transactions for further details.

The market value of our equity interest in these companies has been, and may continue to be, volatile and has fluctuated, and may continue to fluctuate, in response to changes in oil and gas prices and activity levels in the offshore oil and gas industry. If we sell our equity interest in an investment at a time when the value of such investment has fallen, we may incur a loss on the sale or an impairment loss being recognized, ultimately leading to a reduction in earnings. Furthermore, Seadrill Partners ceased paying distributions in January 2020, and our equity interest in, claims against, and contractual arrangements with Seadrill Partners may be impaired to the extent Seadrill Partners is unable to refinance its significant debt obligations or seeks to restructure them in or out of court.

In current market conditions, we may consider entering into joint venture arrangements where each joint venture partner bareboat charters their rigs into the joint venture entity. Through such a structure, we would seek to manage and operate all joint venture rigs and enable the Group to access additional markets, increase presence in a particular market or secure drilling contracts from counterparties who may only be willing to grant those drilling contracts pursuant to or as part of implementing a joint venture with us. However, any financial return from drilling contracts entered into in respect of our rig will be diluted to the shareholding percentage we hold in the joint venture entity and financial success of the joint venture will depend on the management fee rates we are able to agree with our joint venture partner.

During the years ended December 31, 2019 and 2017 we recognized charges of $302 million and $841 million respectively relating to certain of our investments due to declining dayrates and future market expectations for dayrates in the sector. Please see "Note 11 - Impairment loss on investments in associated companies to our Consolidated Financial Statements" for more information.

We may recognize impairments on long-lived assets, including goodwill and other intangible assets, or recognize impairments on our equity method investments.

As described in the risk factor above, we have previously recognized impairments on our marketable securities and investments in associated companies.

If any of our strategic equity investments decline in value and remain below cost for an extended period, we may be required to write down our investment. We have a 35% interest in the common units of Seadrill Partners, which was delisted from the NYSE on December 11, 2019. To the extent Seadrill Partners is unable to refinance its significant debt obligations, which include debt maturities in the second half of 2020 and the first quarter of 2021, or seeks to restructure them in or out of court, our equity interest in, claims against, and contractual arrangements with Seadrill Partners may be impaired. Any such impairment would negatively impact the value of our business, our operations, and/or liquidity.

Our ability to operate our drilling units in the U.S. Gulf of Mexico could be impaired by governmental regulation, particularly in the aftermath of the moratorium on offshore drilling in the U.S. Gulf of Mexico, and new regulations adopted as a result of the investigation into the Macondo well blowout.

In the aftermath of the Deepwater Horizon Incident (in which we were not involved), various governmental agencies, including the U.S. Department of the Interior, U.S. Bureau of Safety and Environmental Enforcement, or the BSEE and its predecessor, the U.S. Bureau of Ocean Energy Management or BOEM, and the U.S. Occupational Safety and Health Administration, issued new and revised regulations and guidelines governing safety and environmental management, occupational injuries and illnesses, financial assurance requirements, inspection programs and other well control measure relating to our drilling rigs.

In order to obtain drilling permits, operators must submit applications that demonstrate compliance with the enhanced regulations, which require independent third-party inspections, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. Operators have previously had, and may in the future have, difficulties obtaining drilling permits in the U.S. Gulf of Mexico.

In addition, the oil and gas industry has adopted new equipment and operating standards, such as the American Petroleum Institute Standard 53 relating to the design, maintenance, installation and testing of well control equipment. Current and pending regulations, guidelines and standards for safety, environmental and financial assurance such as the above and any other new guidelines or standards the U.S. government or industry may issue (including relating to the Deepwater Horizon Incident or the other catastrophic events involving pollution from oil exploration and development activities) or any other steps the U.S. government or industry may take relating to our business activities, could disrupt or delay operations, increase the cost of operations, increase out-of-service time or reduce the area of operations for drilling rigs in U.S. and non-U.S. offshore areas.

As new standards and procedures are being integrated into the existing framework of offshore regulatory programs, there may be increased costs associated with regulatory compliance and delays in obtaining permits for other operations such as re-completions, workovers and abandonment activities.

We are not able to predict the likelihood, nature or extent of additional rulemaking or when the interim rules, or any future rules, could become final. The current and future regulatory environment in the U.S. Gulf of Mexico could impact the demand for drilling units in the U.S. Gulf of Mexico in terms of overall number of rigs in operations and the technical specification required for offshore rigs to operate in the U.S. Gulf of Mexico. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of our operations, and escalating costs borne by our customers, along with permitting delays, could reduce exploration and development activity in the U.S. Gulf of Mexico and, therefore, reduce demand for our services. In addition, insurance costs across the industry have increased as a result of the Deepwater Horizon Incident and, in the future, certain insurance coverage is likely to become more costly, and may become less available or not available at all. We cannot predict the potential impact of new regulations that may be forthcoming, nor can we predict if implementation of additional regulations might subject us to increased costs of operating and/or a reduction in the area of operation in the U.S. Gulf of Mexico. As such, our cash flow and financial position could be adversely affected if our ultra-deepwater semi-submersible drilling rigs and ultra-deepwater drillships operating in the U.S. Gulf of Mexico were subject to the risks mentioned above.

In addition, hurricanes have from time to time caused damage to a number of drilling units and production facilities unaffiliated to us in the Gulf of Mexico. The BOEM and the BSEE, have in recent years issued more stringent guidelines for tie-downs on drilling units and permanent equipment and facilities attached to outer continental shelf production platforms, moored drilling unit fitness, as well as other guidelines and regulations in an attempt to increase the likelihood of the survival of offshore drilling units during a hurricane. Implementation of new guidelines or regulations that may apply to our drilling units may subject us to increased costs and limit the operational capabilities of our drilling units.

Failure to obtain or retain highly skilled personnel, and to ensure they have the correct visas and permits to work in the locations in which they are required, could adversely affect our operations.

We require highly skilled personnel in the right locations to operate and provide technical services and support for our business.

Competition for skilled and other labor required for our drilling operations has increased in recent years as the number of rigs activated or added to worldwide fleets has increased, and this may continue to rise. Notwithstanding the general downturn in the drilling industry, in some regions, such as Brazil and Western Africa, the limited availability of qualified personnel in combination with local regulations focusing on crew composition, are expected to further increase the demand for qualified offshore drilling crews, which may increase our costs. These factors could further create and intensify upward pressure on wages and make it more difficult for us to staff and service our rigs. Such developments could adversely affect our financial results and cash flow. Furthermore, as a result of any increased competition for qualified personnel, or as a result of our Chapter 11 Proceedings, we may experience a reduction in the experience level of our personnel, which could lead to higher downtime and more operating incidents.

Our ability to operate worldwide, depends on our ability to obtain the necessary visas and work permits for our personnel to travel in and out of, and to work in, the jurisdictions in which we operate. Governmental actions in some of the jurisdictions in which we operate may make it difficult for us to move our personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. If we are not able to obtain visas and work permits for the employees we need for operating our rigs on a timely basis, or for third-party technicians needed for maintenance or repairs, we might not be able to perform our obligations under our drilling contracts, which could allow our customers to cancel the contracts. Please see "-Our customers may seek to cancel or renegotiate their contracts to include unfavorable terms such as unprofitable rates, particularly in the circumstance that operations are suspended or interrupted" for more information.

Labor costs and our operating restrictions that apply could increase following collective bargaining negotiations and changes in labor laws and regulations.

Some of our employees are represented by collective bargaining agreements. The majority of these employees work in Brazil, Mexico, Nigeria, Norway and the United Kingdom. In addition, some of our contracted labor works under collective bargaining agreements. As part of the legal obligations in some of these agreements, we are required to contribute certain amounts to retirement funds and pension plans and are restricted in our ability to dismiss employees. In addition, many of these represented individuals are working under agreements that are subject to salary negotiation. These negotiations could result in higher personnel costs, other increased costs or increased operating restrictions that could adversely affect our financial performance.

Interest rate fluctuations could affect our earnings and cash flow.

In order to finance our growth, we have incurred significant amounts of debt. Our secured credit facilities have floating interest rates. As such, following our emergence from Chapter 11 Proceedings, significant movements in interest rates could have an adverse effect on our earnings and cash flow. We had previously managed our exposure to interest rate fluctuations through interest rate swaps that effectively fixed a part of our floating rate debt obligations. These swaps were terminated on September 13, 2017 as a result of entering Chapter 11. However, on May 11, 2018 we entered into an agreement to hedge part of our interest rate risk, through the purchase of an interest rate cap. Please see "ITEM 11 - Quantitative and qualitative disclosures about market risk" for further details of our use of derivatives to mitigate exposures to interest rate risk.

As of December 31, 2019, the total outstanding principal amount of our floating rate debt amounted to $5,662 million. We have entered into interest rate cap agreements to cap the interest rate for $4,500 million of this debt.

If we are unable to effectively manage our interest rate exposure through interest rate derivatives in the future, any increase in market interest rates would increase our interest rate exposure and debt service obligations, which would exacerbate the risks associated with our leveraged capital structure.

In addition, in July 2017 the United Kingdom Financial Conduct Authority (the "FCA"), announced that it would phase out LIBOR as a benchmark by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. Most of our credit and loan facilities are linked to LIBOR. When LIBOR ceases to exist, we may need to amend our credit and loan facilities based on a new standard that is established, if any. Uncertainty as to the nature of LIBOR's phase-out and alternative reference rates or disruption in the financial market could also have a material adverse effect on our financial condition, results of operations and cash flows.

Fluctuations in exchange rates and the non-convertibility of currencies could result in losses to us.

As a result of our international operations, we are exposed to fluctuations in foreign exchange rates due to revenues being received and operating expenses paid in currencies other than U.S. dollars. Accordingly, we may experience currency exchange losses if we have not adequately hedged our exposure to a foreign currency, or if revenues are received in currencies that are not readily convertible. As our foreign exchange exposure primarily relates to foreign denominated cash and working capital balances, and we do not currently expect these exposures to cause a significant amount of fluctuations to our net income, we do not currently hedge our foreign currency exchange exposure. Although the effect of fluctuations in currency exchange rates caused by our international operations generally has not had a material impact on our overall operating results, it is no guarantee that our future operating results will be adversely impacted by fluctuations in currency exchange rates. We may also be unable to collect revenues because of a shortage of convertible currency available in the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

We use the U.S. dollar as our functional currency because the majority of our revenues and expenses are denominated in U.S. dollars. Accordingly, our reporting currency is also U.S. dollars. We do, however, earn revenues and incur expenses in other currencies such as Norwegian kroner, U.K. pounds sterling, Brazilian real, Nigerian naira and Angolan Kwanza and there is a risk that currency fluctuations could have an adverse effect on our statements of operations and cash flows. In addition, Brexit, or similar events in other jurisdictions, can impact global markets, which may have an adverse impact on our business and operations as a result of changes in currency, exchange rates, tariffs, treaties and other regulatory matters.

A change in tax laws in any country in which we operate could result in higher tax expense.

We conduct our operations through various subsidiaries in countries throughout the world. Tax laws, regulations and treaties are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, regulations and treaties in and between the countries in which we operate, including treaties between the United States and other nations. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, regulations or treaties, including those in and involving the United States, or in the interpretation thereof, or in the valuation of our deferred tax assets, which is beyond our control, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings.

In addition, the United States enacted major tax reform legislation in December 2017. This is likely to continue to have a material impact on the amount of overall U.S. tax expense of the Group due to reduced effective tax deductions for certain payments our U.S. operating companies make to non-U.S. rig owners and other group and affiliated companies.

A loss of a major tax dispute or a successful tax challenge to our operating structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries could result in a higher taxes on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

Our tax returns are subject to review and examination. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries; or if the terms of certain Double Tax Treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, our taxes on our worldwide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected. For additional information on tax assessments and claims issued, refer to Note 12 - "Taxation" of the Consolidated Financial Statements included within this report.

A change in laws and regulations in any country in which we operate could have a negative impact on our business

During 2017, the E.U. Economic and Financial Affairs Council released a list of non-cooperative jurisdictions for tax purposes. The stated aim of the list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. Bermuda was not on the list of non-cooperative jurisdictions, but did feature in the report as having committed to address concerns relating to economic substance by December 31, 2018. In accordance with that commitment, Bermuda enacted the Economic Substance Act 2018 (the "ESA") in December 2018. The ESA requires each registered entity to maintain a substantial economic presence in Bermuda and provides that a registered entity that carries on a relevant activity complies with economic substance requirements if (i) it is directed and managed in Bermuda, (ii) its core income-generating activities (as may be further prescribed) are undertaken in Bermuda with respect to the relevant activity, (iii) it maintains adequate physical presence in Bermuda, (iv) it has adequate full time employees in Bermuda with suitable qualifications and (v) it incurs adequate operating expenditure in Bermuda in relation to the relevant activity. A registered entity that carries on a relevant activity is obliged under the ESA to file a declaration with the Bermuda Registrar of Companies on an annual basis containing certain information. At present, the impact of the ESA is still unclear and it is difficult to predict the nature and effect of these requirements on the Company and its subsidiaries incorporated in Bermuda. We have undertaken an evaluation and continue to monitor the potential effect ESA will have on the Company and its Bermuda subsidiaries. For additional information on litigation matters that we are currently involved in, please see "ITEM 8. Financial Information-A. Consolidated Statements and Other Financial Information-Legal Proceedings."

Climate change and the regulation of greenhouse gases could have a negative impact on our business.

Due to concern over the risk of climate change, a number of countries, the E.U. and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions in the shipping industry. For example, ships (including rigs and drillships) must comply with IMO and E.U. regulations relating to the collection and reporting of data relating to greenhouse gas emissions. In April 2018, the IMO adopted a strategy to, among other things, reduce the 2008 level of greenhouse gas emissions from the shipping industry by 50% by the year 2050.

Other governmental bodies, such as the United States Environmental Protection Agency and the State of California also may regulate greenhouse gas emissions from shipping in the future. The future of such regulations is difficult to predict because the requirements continue to evolve.

Compliance with existing regulations and changes in laws, regulations and obligations relating to climate change could increase our costs to operate and maintain our assets, and might also require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Any passage of climate control legislation or other regulatory initiatives by the IMO, the E.U., the United States or other countries in which we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, which restricts emissions of greenhouse gases, could require us to make significant financial expenditures which we cannot predict with certainty at this time.

Additionally, adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for the use of alternative energy sources. In addition, parties concerned about the potential effects of climate change have directed their attention at sources of funding for energy companies, which has resulted in certain financial institutions, funds and other sources of capital, restricting or eliminating their investment in or lending to oil and gas activities. Any material adverse effect on the oil and gas industry relating to climate change concerns could have a significant adverse financial and operational impact on our business and operations.

Finally, the impacts of severe weather, such as hurricanes, monsoons and other catastrophic storms, resulting from climate change could cause damage to our equipment and disruption to our operations and cause other financial and operational impacts, including impacts on our major customers.

Acts of terrorism, piracy, cyber-attack, political and social unrest could affect the markets for drilling services, which may have a material and adverse effect on our results of operations.

Acts of terrorism, piracy, and political and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. Our drilling operations could also be targeted by acts of sabotage carried out by environmental activist groups.

We rely on information technology systems and networks in our operations and administration of our business. Our drilling operations or other business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to an unauthorized release of information or alteration of information on our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations.

In addition, acts of terrorism and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services and result in lower dayrates. Insurance premiums could also increase and coverage may be unavailable in the future. Increased insurance costs or increased costs of compliance with applicable regulations may have a material adverse effect on our results of operations.

We may be subject to litigation, arbitration, other proceedings and regulatory investigations that could have an adverse effect on us.

We are currently involved in various litigation and arbitration matters, and we anticipate that we will be involved in dispute matters from time to time in the future. The operating and other hazards inherent in our business expose us to disputes, including personal injury disputes, environmental and climate change litigation, contractual disputes with customers, intellectual property and patent disputes, tax or securities disputes, regulatory investigations and maritime lawsuits, including the possible arrest of our drilling units. We cannot predict, with certainty, the outcome or effect of any claim or other dispute matters, or a combination of these. If we are involved in any future disputes, or if our positions concerning current disputes are found to be incorrect, there may be an adverse effect on our business, financial position, results of operations and available cash, because of potential negative outcomes, the costs associated with asserting our claims or defending such lawsuits or proceedings, and the diversion of management's attention to these matters.

We may also be subject to significant legal costs in defending these actions, which we may or may not be able to recoup depending on the results of such claim. For additional information on litigation matters that we are currently involved in, please see Note 34 - "Commitments and Contingencies" to the Consolidated Financial Statements included within this report.

We cannot guarantee that the use of our drilling units will not infringe the intellectual property rights of others.

The majority of the intellectual property rights relating to our drilling units and related equipment are owned by our suppliers. In the event that one of our suppliers becomes involved in a dispute over an infringement of intellectual property rights relating to equipment owned by us, we may lose access to repair services or replacement parts or could be required to cease using some equipment. In addition, our competitors may assert claims for infringement of intellectual property rights related to certain equipment on our drilling units and we may be required to stop using such equipment and/or pay damages and royalties for the use of such equipment. The consequences of these technology disputes involving our suppliers or competitors could adversely affect our financial results and operations. We have indemnity provisions in some of our supply contracts to give us some protection from the supplier against intellectual property lawsuits. However, we cannot make any assurances that these suppliers will have sufficient financial standing to honor their indemnity obligations or guarantee that the indemnities will fully protect us from the adverse consequences of such technology disputes. We also have provisions in some of our client contracts to require the client to share some of these risks on a limited basis, but we cannot provide assurance that these provisions will fully protect us from the adverse consequences of such technology disputes. For information on certain intellectual property litigation that we are currently involved in, please see Note 34 - "Commitments and Contingencies" to the Consolidated Financial Statements included within this report.

We depend on directors who are associated with affiliated companies, which may create conflicts of interest.

Our largest shareholder is Hemen Holding Limited, or Hemen. Three of our directors also serve as directors of other companies affiliated with Hemen. Our directors owe fiduciary duties to both us and other related parties and may have conflicts of interest in matters involving or affecting us and our customers. Please see "ITEM 6. Directors, Senior management and Employees - C. Board Practices" for more information.

We have agreed to market certain rigs of our affiliated entity, NOL, which may create conflicts of interest.

We executed an agreement with NODL for the commercial management of certain of the rigs acquired by our affiliated entity, NODL, which subsequently novated its rights and obligations to NOL.

To date, we have entered into drilling contracts in respect of certain NOL units directly with customers with back-to-back arrangements in place between us and NOL to allocate risk and liability back to NOL commensurate with the structure. Ultimately, we are exposed to the creditworthiness of NOL, to the extent that we have an exposure to the customer under the drilling contract and seek recovery under the back-to-back arrangements. We earn an incentivized management fee from NOL that is intended to reward us for the services we provide and the risks that we are exposed to as well as providing a right of first refusal for purchase of the unit. We currently have stacked rigs that were available but not competitive from a technical or cost perspective with the NOL units that secured drilling contracts through us.

We may be restricted from granting long-term contracts as a result of the Omnibus Agreement with Seadrill Partners.

We have entered into an omnibus agreement with Seadrill Partners, or the Omnibus Agreement, in connection with its initial public offering, which may restrict our ability to, among other things, acquire, own, operate or contract for certain drilling units operating under drilling contracts of five or more years, unless we offer to sell such drilling units to Seadrill Partners. These restrictions could harm our business and adversely affect our financial position and results of operations and ability to implement our growth strategy. For additional information, please see "ITEM 7. Major Shareholders and Related Party Transactions - B. Related Party Transactions-Seadrill Partners-Omnibus Agreement with Seadrill Partners."

If we fail to comply with requirements relating to internal control over financial reporting our business could be harmed and our common stock price could decline.

Rules adopted by the Securities and Exchange Commission pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require that we assess our internal control over financial reporting annually. The rules governing the standards that must be met for management to assess its internal control over financial reporting are complex. They require significant documentation, testing, and possible remediation of any significant deficiencies in and / or material weaknesses of internal controls in order to meet the detailed standards under these rules. Although we have evaluated our internal control over financial reporting as effective as of December 31, 2019, in future fiscal years, we may encounter unanticipated delays or problems in assessing our internal control over financial reporting as effective or in completing our assessments by the required dates. In addition, we cannot assure you that our independent registered public accountants will attest that internal control over financial reporting is effective in future fiscal years.

If we are unable to maintain effective internal controls over financial reporting and disclosure controls, investors may lose confidence in our reported financial information, which could lead to a decline in the price of common shares, limit our ability to access the capital markets in the future, and require us to incur additional costs to improve our internal control over financial reporting and disclosure control systems and procedures. Further, if lenders and other debt financing sources lose confidence in the reliability of our financial statements, it could have a material adverse effect on our ability to secure replacement or additional financing, or amendments to existing debt documents, on terms acceptable to us or at all.

Public health threats, such as the recent coronavirus, or COVID-19, outbreak could have an adverse effect on our operations and financial results.

Public health threats, such as Ebola, influenza, the Zika virus, forms of Coronavirus such as SARS or COVID-19, and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, could adversely impact our operations, and the operations of our customers. For example, the recent outbreak of COVID- 19 has been declared by the World Health Organization as a pandemic and has spread across the globe to many countries in which we do business and is impacting worldwide economic activity. Public health threats in any area, including areas where we do not operate, could disrupt international transportation and supply chains. Our crews generally work on a rotation basis, with a substantial portion relying on international air transport for rotation. Although we have not had significant issues to date as a result of COVID-19, any disruptions could impact the cost of rotating our crews, and possibly impact our ability to maintain a full crew on all rigs at a given time. In addition, it is not possible at this time to estimate the impact that COVID-19 could have on our business. The continued spread of COVID-19, the measures taken by the governments of countries affected, actions taken to protect employees, and the impact of the pandemic on various business activities in affected countries and any other public health threats and related consequences could adversely affect our financial condition, results of operations and cash flows.

Data protection and regulations related to privacy, data protection and information security could increase our costs, and our failure to comply could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations, as well as have an impact on our reputation.

We are subject to regulations related to privacy, data protection and information security in the jurisdictions in which we do business. As privacy, data protection and information security laws are interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

In recent years, there has been increasing regulatory enforcement and litigation activity in the areas of privacy, data protection and information security in the U.S. and in various countries in which we operate. In addition, legislators and/or regulators in the U.S., the E.U. and other jurisdictions in which we operate are increasingly adopting or revising privacy, data protection and information security laws that could create compliance uncertainty and could increase our costs or require us to change our business practices in a manner adverse to our business. For example, the E.U. and U.S. Privacy Shield framework was designed to serve as an appropriate safeguard in relation to international transfers of personal data from the EEA to the U.S. However, this self-certification faces a number of legal challenges and is subject to annual review. This has resulted in some uncertainty and obligations to look at other appropriate safeguards to protect the security and confidentiality of personal data in the context of cross-border data transfers. Moreover, compliance with current or future privacy, data protection and information security laws could significantly impact our current and planned privacy, data protection and information security related practices, our collection, use, sharing, retention and safeguarding of consumer and/or employee information, and some of our current or planned business activities. Our failure to comply with privacy, data protection and information security laws could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business, as well as have an impact on our reputation. For example, the General Data Protection Regulations (EU) 2016/679 (the “GDPR”), as supplemented by any national laws (such as in the U.K., the Data Protection Act 2018) and further implemented through binding guidance from the European Data Protection Board, came into effect on May 25, 2018. The GDPR expanded the scope of the EU data protection law to all foreign companies processing personal data of EEA individuals and imposed a stricter data protection compliance regime, including the introduction of administrative fines for non-compliance up to 4% of global total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach, as well as the right to compensation for financial or non-financial damages claimed by any individuals under Article 82 GDPR and the reputational damages that our business may be facing as a result of any personal data breach or violation of the GDPR.

Risks Relating to Our Common Shareholders

The price of the Shares may be volatile or may decline regardless of our operating performance, and investors may not be able to resell the Shares at or above their initial purchase price.

The market price for the Shares may be volatile and may fluctuate significantly in response to a number of factors, most of which we cannot control, including, among others:

- announcements concerning the offshore drilling market, including changes in oil and gas prices and the state of the global economy on market outlook for our various geographical operating sectors and classes of rigs;
- fluctuations in the market value of our drilling units and the amount of debt we can incur under certain covenants in its current and future debt financing agreements;
- general and industry-specific economic conditions;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations;
- additions or departures of key members of management;
- any increased indebtedness we incur in the future;
- speculation or reports by the press or investment community with respect to Seadrill or Seadrill Partners, or the industry in general;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- changes or proposed changes in laws or regulations affecting the oil and gas industry or enforcement of these laws and regulations, or announcements relating to these matters; and
- general market, political and economic conditions, including any such conditions and local conditions in the markets in which we operate.

These and other factors may lower the market price of the Shares, regardless of our actual operating performance. In the event of a drop in the market price of the Shares, investors could lose a substantial part or all of its investment in the Shares. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Shareholders may initiate securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from the business, which could have a negative effect on the results of operations and thus the price for the Shares.

The market price of our common shares has fluctuated widely and may fluctuate widely in the future.

The market price of our common shares has fluctuated widely and may continue to do so as a result of many factors, such as actual or anticipated fluctuations in our operating results, the outcome of our amendment negotiations with lenders under our credit facilities, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control. Further, there may be no continuing active or liquid public market for our common shares. If an active trading market for our common shares does not continue, the price of our common shares may be more volatile and it may be more difficult and time consuming to complete a transaction in our common shares, which could have an adverse effect on the realized price of our common shares. In addition, an adverse development in the market price for our common shares could negatively affect our ability to issue new equity to fund our activities.

If we cannot meet the continued listing requirements of the NYSE and/or the OSE, such stock exchange may delist our common share.

On March 26, 2020, we received written notification from the NYSE that we are not in compliance with the continued listing standard set forth in Section 802.01C of the NYSE Listed Company Manual ("Section 802.01C"). As of March 24, 2020, the average closing price of our common share was less than $1.00 per share over a consecutive 30 trading-day period (the "Notice").

Pursuant to Section 802.01C, we can regain compliance with the minimum share price requirement if, during the six-month cure period following receipt of the Notice, on the last trading-day of any calendar month, Seadrill common share has a closing share price and a 30 trading-day average closing share price of at least $1.00. In the event that at the expiration of the six-month cure period, both a $1.00 closing share price on the last trading day of the cure period and a $1.00 average closing share price over the 30 trading-day period ending on the last trading day of the cure period are not attained, the NYSE will commence suspension and delisting procedures with respect to Seadrill's common share. We intend to inform the NYSE that we will cure the price condition, if necessary, by seeking shareholder approval of a share consolidation no later than our next annual meeting, and implementing such action, if necessary, promptly after shareholder approval. In this instance, the price condition will be deemed cured if the price promptly exceeds $1.00 per share, and the price remains above the level for at least the following 30 trading days. The NYSE has confirmed that the six-month cure period requirement does not apply if we decide to take an action that requires shareholder approval, as long as the action is implemented promptly after the annual general meeting.

The NYSE's continued listing standards also provide that a listed company will be considered to be below compliance if its average closing share price reaches an "abnormally low" level or if market capitalization over a consecutive 30 trading-day period is less than $15 million (which rule is currently waived until June 30, 2020). If our average market capitalization over a consecutive 30 trading-day period falls below $15 million thereafter or reaches an abnormally low level, the NYSE will initiate suspension and delisting procedures.

Further, in the event that we file for or announce an intention to file for bankruptcy protection, the NYSE continued listing standards permit the NYSE, in its sole discretion, to seek immediate suspension and delisting of our securities.

Our common share also has a secondary listing on the OSE. If our common share ceases to be listed on the NYSE, the OSE listing would change to be a primary listing, subject to our compliance with continued listing standards.

A delisting of our common share from the NYSE and/or the OSE could negatively impact us because it could: (i) reduce the liquidity and market price of our common share, (ii) reduce the number of investors willing to hold or acquire our common share, which could negatively impact our ability to raise equity financing, (iii) limit our ability offer and sell freely tradable securities, thereby preventing us from accessing the public capital markets, (iv) impair our ability to provide equity incentives to our employees and (v) lead to a default under one or more of our credit facilities under certain circumstances. Certain of our credit facilities include a covenant requiring our common share to be listed on the NYSE or the OSE or, in certain cases another internationally recognized stock exchange; thus, if our common share were to be delisted from both the NYSE and the OSE and not listed on another internationally recognized exchange permitted under such credit facilities, we could be in default under such facilities. Given the cross-default and cross-acceleration provisions in our other debt agreements, we could be in default under those other debt agreements as well, with the result that some or all of our indebtedness could be declared immediately due and payable (or accelerated after the expiration of any applicable grace period), and we may not have sufficient assets available to satisfy our obligations.

Receipt of the Notice by Seadrill, on the other hand, is not a violation of the terms of, and does not constitute a default or event of default under, any of our debt obligations, and is not anticipated to impact the Company's current discussions with our secured lenders regarding potential amendments to our credit facilities. The Notice also has no immediate impact on the listing of Seadrill's common share, which will continue to be listed and traded on the NYSE during the applicable cure period under the symbol "SDRL," subject to our compliance with other continued listing requirements set forth in the NYSE Listed Company Manual but will have an added designation of ".BC" to indicate the status of the common shares as below compliance with the NYSE continued listing standards. The ".BC" indicator will be removed at such time as Seadrill is deemed compliant.

The issuance of share-based awards may dilute investors' holding of the Shares.

An aggregate of 11.1 million of the Shares are reserved for issuance for grant to our employees pursuant to awards under the Employee Incentive Plan in accordance with the Plan. The exercise of equity awards, including any share options that we may grant in the future, could have an adverse effect on the market for the Shares, including the price that an investor could obtain for their Shares. Investors may experience dilution in the net tangible book value of their investment upon the exercise of any share options that may be granted or issued pursuant to the employee incentive plan in the future.

Substantial sales of or trading in the Shares could occur, which could cause the share price to be adversely affected.

A limited number of holders own a substantial portion of the Shares, which may be traded on the NYSE or the OSE if such Shares are freely tradable or covered by an effective registration statement. Certain Shares became freely tradable immediately following the Debtors' emergence from Chapter 11 Proceedings and up to 76,359,119 of our common shares may be sold pursuant to a resale registration statement that we are required to maintain pursuant to a registration rights agreement with certain investors. Some of the creditors who received Shares in connection with the Plan may sell these shares for any number of reasons. We cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on their market price. Sales of substantial amounts of the Shares in the public market, or the perception that such sales could occur, may adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares at a time and price that they deem appropriate. In addition, investment firms that are party to certain put and call agreements may hedge their positions by trading the Shares. The sale of significant amounts of the Shares, substantial trading in the Shares, hedging activities or the perception in the market that any of these activities will occur, may adversely affect the market price of the Shares. Sales of Shares could also impair our ability to raise capital, should we wish to do so, which may cause the share price to decline.

We may pay little or no dividends on the Shares.

The payment of any future dividends to the Company's shareholders will depend on decisions that will be made by the Board of Directors and will depend on then existing conditions, including the Company's operating results, financial conditions, contractual and financing restrictions, corporate law restrictions, capital agreements, the applicable laws of Bermuda and business prospects. The Company may pay little or no dividends for the foreseeable future.

In addition, since we are a holding company with no material assets other than the shares of our subsidiaries through which we conduct our operations, our ability to pay dividends will depend on our subsidiaries distributing to us their earnings and cash flow. Furthermore, our debt documents may prohibit or otherwise limit our and our subsidiaries' ability to pay dividends and distributions without consent of the requisite debt holders. For more information, see "-The covenants in our debt agreements impose operating and financial restrictions on us that could significantly impact our ability to operate our business and a breach of which could result in a default under the terms of these agreements, which could accelerate our repayment of funds that we have borrowed." We suspended the payment of dividends in November 2014, and we cannot predict when, or if, dividends will be paid in the future.

U.S. tax authorities may treat us as a "passive foreign investment company" for U.S. federal income tax purposes, which may have adverse tax consequences for U.S. shareholders.

A foreign corporation will be treated as a "passive foreign investment company" or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest and gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For the purposes of these tests, income derived from the performance of services does not constitute "passive income." As discussed further below, U.S. shareholders of a PFIC are

subject to certain adverse U.S. federal income tax consequences including a disadvantageous U.S. federal income tax regime with respect to distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on the current and anticipated valuation of our assets, including goodwill, and composition of our income and assets, we intend to take the position that we will not be treated as a PFIC for U.S. federal income tax purposes for our current taxable year or in the foreseeable future. Our position is based on valuations and projections regarding our assets and income. While we believe these valuations and projections to be accurate, such valuations and projections may not continue to be accurate. Moreover, the determination as to whether we are a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and is not determinable until after the end of such taxable year. Further, we have not sought a ruling from the United States Internal Revenue Service, or IRS, on this matter, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, the nature of our operations may change in the future, and if so, we may not be able to avoid PFIC status in the future.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders may face adverse U.S. federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under the United States Internal Revenue Code of 1986, as amended, or the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Item 10. Additional Information-E. Taxation"), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of the common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of the common shares. In the event that our shareholders face adverse U.S. federal income tax consequences as a result of investing in shares of our common stock, this could adversely affect our ability to raise additional capital through the equity markets. See "ITEM 10. Additional Information - E. Taxation" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

Investors are encouraged to consult their own tax advisers concerning the overall tax consequences of the ownership and disposition of the common shares arising in an investor's particular situation under U.S. federal, state, local or foreign law.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have.

We are incorporated under the laws of Bermuda, and substantially all of our assets are located outside of the United States. In addition, our directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to effect service of process on these individuals in the United States or to enforce in the United States judgments obtained in U.S. courts against us or our directors and officers based on the civil liability provisions of applicable U.S. securities laws.

In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located (1) would enforce judgments of U.S. courts obtained in actions against us based upon the civil liability provisions of applicable U.S. securities laws or (2) would enforce, in original actions, liabilities against us based on those laws.

We are permitted to adopt certain home country practices in relation to corporate governance, which may afford you less protection.

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

As a foreign private issuer listed on the NYSE, we are subject to corporate governance listing standards of the NYSE. However, rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in Bermuda, which is our home country, may differ significantly from corporate governance listing standards. Concurrently, we comply with certain NYSE corporate governance listing standards by following certain home country practices. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers.

Certain shareholders have the right to appoint directors to the Board of Directors and their interests may not coincide with other investors' interests.

Provided that certain circumstances exist, certain of our shareholders are entitled to appoint directors to the Board of Directors pursuant to the Bye-Laws. For example, Hemen currently is entitled to appoint four directors (including the Chairman) to the Board of Directors, two of which must be independent directors and unrelated to Hemen. Each independent director is required to satisfy the independence rules under the United States Securities Exchange Act of 1934 (the "U.S. Securities Exchange Act"), the NYSE and the OSE. As a result of these appointment rights, Hemen, Centerbridge and the Commitment Parties are able to influence the composition of the Board of Directors and Hemen may consequently have influence with respect to the Company's management, business plans and policies, including the appointment and removal of its officers. The interests of Hemen, Centerbridge and the Commitment Parties may not coincide with other investors' interests, and their director designees may make decisions other investors disagree with. Please see Section 15.14.2.2 "Election and removal of Directors" for more information on the director appointment procedure.

Our bye-laws limit shareholders' ability to bring legal action against its officers and directors.

Our bye-laws contain a broad waiver by the shareholders of any claim or right of action, both individually and on behalf of the Company, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty.

Investors may not be able to exercise their voting rights for Shares registered in a nominee account.

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such Shares unless their ownership is re-registered in their names with the Norwegian Central Securities Depository (**"VPS"**) prior to the general meetings. We can provide no assurances that beneficial owners of the Shares will receive the notice of a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners.

Risks Relating to Our Emergence from Bankruptcy

Because our Consolidated Financial Statements reflect fresh start accounting adjustments made upon emergence from bankruptcy, financial information in our future financial statements will not be comparable to Seadrill's financial information from prior periods.

Upon emergence from Chapter 11 Proceedings, on July 2, 2018, we adopted fresh start accounting in accordance with the provisions set forth in ASC 852, *Reorganizations.* Adopting fresh start accounting results in a new financial reporting entity with no retained earnings or deficits brought forward. Upon the adoption of fresh start accounting, our assets and liabilities were recorded at their fair values which differed materially from the recorded values of our assets and liabilities as reflected in the Predecessor historical Consolidated Balance Sheets. Thus, our Consolidated Balance Sheets and Statements of Operations are not comparable in many respects to Consolidated Balance Sheets and Statements of Operations data for periods prior to adoption of fresh start accounting. You will not be able to compare information reflecting our post-emergence Consolidated Financial Statements to information for periods prior to emergence from bankruptcy, without adjusting for fresh start accounting. The lack of comparable historical information may discourage investors from purchasing our common shares. Additionally, the financial information contained in this annual report on Form 20-F may not be indicative of future financial information.

We may be subject to claims that were not discharged in the bankruptcy proceedings, which could have a material adverse effect on our results of operations and profitability.

Substantially all the material claims against the Debtors that arose prior to the date of the bankruptcy filing were addressed during the Chapter 11 Proceedings or were resolved in connection with the Plan and the order of the Bankruptcy Court confirming the Plan. However, we may be subject to claims that were not discharged in the Chapter 11 Proceedings. Circumstances in which claims and other obligations that arose prior to the bankruptcy filing that were not discharged primarily relate to certain actions by governmental units under police power authority, where we have agreed to preserve a claimant's claims, as well as, potentially, instances where a claimant had inadequate notice of the bankruptcy filing. In addition, except in limited circumstances, claims against non-debtor subsidiaries, are generally not subject to discharge under the Bankruptcy Code. To the extent any pre-filing liability remains, the ultimate resolution of such claims and other obligations may have a material adverse effect on our results of operations, profitability and financial condition.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

1) Company Details

Seadrill Limited (formerly known as "New SDRL Limited") or the ("Successor Company") was incorporated under the Laws of Bermuda on March 14, 2018 with registration number 53439. Seadrill Limited has been the parent company of the group of companies collectively known as Seadrill with effect from the Effective Date.

Seadrill Limited is an exempted company limited by shares and is listed under the Symbol "SDRL" on the New York Stock Exchange ("NYSE") and the Oslo Stock Exchange ("OSE"). Its registered offices are located at Par-la-Ville Place, 4th Floor, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda and our telephone number is +1 (441) 295-6935.

Before the Effective Date, Seadrill's parent company was Seadrill Limited ("Old Seadrill Limited" or "Predecessor Company") which was a company incorporated under the Laws of Bermuda on May 10, 2005 with registration number 36832. Old Seadrill Limited was an exempted company limited by shares and was previously listed under the Symbol "SDRL" on the NYSE and OSE. It held the same registered offices and telephone number as the Successor Company.

2) Significant Developments for the Period from January 1, 2018 through and including December 31, 2019

In this section we have set out important events in the development of our business. This includes information concerning the nature and results of any material reclassification, merger or consolidation of the company or any of its significant subsidiaries; acquisitions or dispositions of material assets other than in the ordinary course of business; any material changes in the mode of conducting the business; material changes in the types of products produced or services rendered; name changes; or the nature and results of any bankruptcy, receivership or similar proceedings with respect to the company or significant subsidiaries. This section covers the period from the beginning of our last full financial year.

a) Chapter 11 Reorganization

This section provides an overview of the Chapter 11 Proceedings, and the transactions described herein and those contemplated by the Plan are together referred to as the "**Reorganization**". The Predecessor Company and certain of its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court (the "**Debtors**"), whereas this section provides an overview of the Debtors' restructuring and emergence from bankruptcy, reflecting the acceptance of the Second Amended Joint Chapter 11 Plan (as modified), as confirmed by the Bankruptcy Court on 17 April 2018 (the "**Plan**"), by all classes entitled to vote and the confirmation of the Plan by the Bankruptcy Court and pursuant to which the "**Effective Date**" (meaning the date of the Debtors' emergence from bankruptcy proceedings in accordance with the terms and conditions of the Plan) of the Plan occurred on July 2, 2018. The description in this section is qualified in its entirety by reference to the Plan. The terms of the Plan are more detailed than the description provided in this section, which may have omitted descriptions of items that may be of interest to particular investors. Therefore, please carefully consider the actual provisions of the Plan for more complete information about the transactions to be consummated in connection with the Debtors' emergence from bankruptcy.

i. Introduction to the Reorganization

Prior to filing of the Chapter 11 Proceedings (as defined below), Old Seadrill Limited engaged in extensive discussions with its secured lenders, certain holders of its unsecured bonds and potential new money investors regarding the terms of a comprehensive restructuring.

On September 12, 2017, Old Seadrill Limited entered into a restructuring support and lock-up agreement (the "**RSA**") with a group of bank lenders, bondholders, certain other stakeholders, and new-money providers (collectively, the "**Consenting Stakeholders**"). Old Seadrill Limited's consolidated subsidiaries North Atlantic Drilling Ltd. ("**NADL**") and Sevan Drilling, together with certain other of its consolidated subsidiaries also entered into the RSA (together with Old Seadrill Limited the "**Company Parties**"). Ship Finance and three of its subsidiaries, which charter three drilling units to the Company Parties, also executed the RSA. In connection with the RSA, the Company Parties entered into the "**Investment Agreement**" under which Hemen Investments Limited, an affiliate of Old Seadrill Limited's largest shareholder Hemen Holding Ltd. and the Commitment Parties, committed to provide $1.06 billion in new cash commitments, subject to certain terms and conditions (the "**Capital Commitment**").

On September 12, 2017, to implement the transactions contemplated by the RSA and Investment Agreement, the Debtors commenced prearranged reorganization proceedings (the "**Chapter 11 Proceedings**") under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas Victoria Division. During the bankruptcy proceedings, the Debtors continued to operate their business as debtors in possession. As a result of the Reorganization, the Plan equitized approximately $2.4 billion in unsecured bond obligations, more than $1.0 billion in contingent newbuild obligations, substantial unliquidated guarantee obligations, and approximately $250 million in unsecured interest rate and currency swap claims, while extending near term debt maturities, providing the Group with over $1.0 billion in new capital and leaving employee, customer and ordinary trade claims largely unimpaired.

ii. Corporate Reorganization

The Plan provided for Seadrill Limited to serve as the ultimate parent holding company for Old Seadrill Limited's subsidiaries after the Debtors' emergence from the Chapter 11 Proceedings. Seadrill Limited was initially formed as a wholly-owned subsidiary of Old Seadrill Limited and had not conducted any material operations prior to the Effective Date. Following the Debtors' emergence from bankruptcy, the economic interests in the existing shares of Old Seadrill Limited were extinguished, and Old Seadrill Limited was dissolved under Bermuda law. In accordance with the Plan, the common shares of Seadrill Limited were issued to the parties entitled thereto under the Plan and under the Investment Agreement. As part of the concurrent corporate reorganization, Seadrill Limited became the ultimate parent holding company of Old Seadrill Limited's subsidiaries. The Plan was effective on July 2, 2018, and some of the information provided in this annual report therefore relates to Seadrill prior to the Effective Date.

The corporate reorganization also included: (i) the formation of a new wholly-owned intermediate holding company ("**IHCo**") as a subsidiary of Seadrill, (ii) and a new wholly-owned intermediate holding company ("**RigCo**") as a subsidiary of IHCo which holds interests in Seadrill's rig-owning, rig-operating and management entities transferred to RigCo in the corporate reorganization, (iii) the formation of a new wholly-owned intermediate holding company Seadrill New Finance Limited ("**NSNCo**"), as a subsidiary of IHCo for the purpose of issuing the "**Senior Secured Notes**" (being the $880 million aggregate principal amount of 12% Senior Secured Notes due 2025 issued by NSNCo in connection with the Reorganization, as further described below) and (iv) the formation of certain new wholly-owned intermediate holding companies as subsidiaries of NSNCo for the purpose of holding interests in certain of the non-consolidated entities transferred to NSNCo by Old Seadrill Limited in the corporate reorganization.

iii. The Plan

The Debtors filed a proposed plan of reorganization and disclosure statement with the Bankruptcy Court on September 12, 2017, as well as a disclosure statement relating to the proposed plan of reorganization. Subsequent to September 12, 2017, the Debtors negotiated with their various creditors, including an ad hoc group of holders of unsecured bonds (the "**Ad Hoc Group**") and certain newbuild ship yards with which the Debtors had contractual relationships to build new rigs. On 26 February 2018, the Debtors announced a global settlement with various creditors, including the Ad Hoc Group, the official committee of unsecured creditors (the "**Committee**") and other major creditors in its Chapter 11 cases, including Samsung and DSME, two of the Debtors' newbuild shipyards, and an affiliate of Barclays Bank PLC ("**Barclays**"), another holder of unsecured bonds. In connection with the global settlement, the Debtors entered into an amendment to the RSA and an amendment to the Investment Agreement. The amendments to the RSA and Investment Agreement provided for inclusion of the Ad Hoc Group and Barclays into the Capital Commitment as Commitment Parties, increased the Capital Commitment to $1.08 billion, increased recoveries for general unsecured creditors under the Plan, an agreement regarding the allowed claim of the newbuild shipyards and an immediate cessation of all litigation and discovery efforts in relation to the Plan as well as the Debtors' rejection and recognized termination of the newbuild contracts. The Investment Agreement, as amended, provided for certain milestones for the Debtors' restructuring: (1) the Bankruptcy Court entered an order confirming the Plan on April 17, 2018 (the "**Confirmation Date**") and (2) the effective date of the Plan had to occur within 90 days of the Confirmation Date, and in any event no later than August 8, 2018.

In connection with the global settlement, on February 26, 2018, the Debtors filed a proposed Second Amended Joint Chapter 11 Plan of Reorganization with the Bankruptcy Court and on April 17, 2018, the Bankruptcy Court entered an order confirming the Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, as amended and supplemented. Reference is made to the Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, in the form confirmed by the Bankruptcy Court, with any further amendments or supplements thereto, as the Plan. The Plan became effective on July 2, 2018. Under the Plan and the terms of the Investment Agreement and the transactions contemplated therein, the Commitment Parties to the Investment Agreement were issued certain common shares of Seadrill Limited and purchased additional common shares of Seadrill Limited in connection with the completion of an equity rights offering to holders of claims against the Debtors. Seadrill Limited also agreed to register its common shares for resale by the selling shareholders.

iv. Rights offering

Pursuant to the Plan and an order of the Bankruptcy Court, a set of rights offering procedures were approved. As a result, eligible holders of general unsecured claims against the Debtors were offered the right to participate in (i) a rights offering of up to $119.4 million in principal amount of the Senior Secured Notes (the "**Notes Rights Offering**") and the corresponding pro rata portion of 57.5% of common shares in Seadrill Limited were issued to holders who participated in the Notes Rights Offering and (ii) a rights offering of up to $48.1 million in value of common shares in Seadrill Limited (the "**Equity Rights Offering**").

The Equity Rights Offering was directed to eligible holders of General Unsecured Claims (as defined in the Plan), who either (i) were located in the United States or (ii) were located outside the United States and who satisfied one of the following criteria (a) they were located in a member state of the European Economic Area (EEA); (b) they were located in the United Kingdom and were qualified (i) to make an investment in Seadrill Common Shares under the applicable laws of the EEA (ii) satisfied certain criteria under the laws of the United Kingdom; or (c) were located in a different jurisdiction, and under the laws of that jurisdiction were entitled to subscribe for and purchase the Seadrill Common Shares, in each case without the need for any registration or similar filing by Seadrill Limited. The subscription period for the Equity Rights Offering commenced on May 7, 2018 and ended on 5:00 pm New York City Time on June 8, 2018. The subscription right to participate in the Equity Rights Offering could not be separated from the related General Unsecured Claims, hence the only way to transfer the subscription rights was to transfer the related General Unsecured Claims. The holders of General Unsecured Claims could purchase up to 2.700 Seadrill Common Shares for each USD 1,000 in allowed amount of its claims in aggregate in the Equity Rights Offering. The subscription price for Seadrill Common Shares in the Equity Rights Offering was $8.421 per share. Holders of General Unsecured Claims who were not entitled to participate in the Equity Rights Offering, were eligible to receive a cash payment in the amount of $30 per $1,000 of the allowed amount of their claim.

The Senior Secured Notes and the Seadrill Common Shares were acquired by the Commitment Parties under the Investment Agreement and were reduced to the extent the Note Rights and Equity Rights were exercised in the Notes Rights Offering and the Equity Rights Offering, respectively. The Commitment Parties did not participate in the Notes Rights Offering nor the Equity Rights Offering, in accordance with the terms of the Investment Agreement.

v. Issuance and distribution of the new shares under the Plan and Investment Agreement

The following table sets forth the allocation of common shares issued on the Effective Date, subject to the terms and conditions of the Plan:

		Percentage		
Recipient of Common Shares	**Number of shares**	**Prior to dilution by Primary Structuring Fee and the shares reserved under the Employee Incentive Plan**	**Prior to dilution by the shares reserved under the Employee Incentive Plan**	**Fully diluted**
Commitment Parties (in exchange for cash paid pursuant to the Investment Agreement) and Equity Rights Offering Subscribers	23,750,000	25.00%	23.75%	21.38%
Recipients of Senior Secured Notes (including Commitment Parties and Notes Rights Offering Subscribers)	54,625,000	57.50%	54.63%	49.16%
Holders of General Unsecured Claims	14,250,000	15.00%	14.25%	12.82%
Former Holders of Old Seadrill Limited Equity and Seadrill Limited 510(b) Claimants	1,900,000	2.00%	1.90%	1.71%
Fees to Select Commitment Parties	475,000	0.50%	0.47%	0.43%
All creditors, excluding Primary Structuring Fee	**95,000,000**	**100.00%**	**95.00%**	**85.50%**
Hemen (on account of Primary Structuring Fee)	5,000,000	-	5.00%	4.50%
Total, prior to dilution by shares reserved under the Employee Incentive Plan	**100,000,000**	**-**	**100.00%**	**90.00%**
Reserved for the Employee Incentive Plan	11,111,111	-	-	10.00%
Total, fully diluted	**111,111,111**	**-**	**-**	**100.00%**

vi. Senior Secured Notes

In accordance with the terms and conditions of the Investment Agreement, the Commitment Parties purchased the full principal amount of the Senior Secured Notes for $880 million in cash, less the principal amount purchased by participants in the Notes Rights Offering, and on the Effective Date, NSNCo issued $880 million in principal amount of Senior Secured Notes. As described above, Seadrill Limited issued approximately 57.5% of the common shares in Seadrill (prior to dilution by the Primary Structuring Fee and the shares reserved under the employee incentive plan) on a pro rata basis to the purchasers of the Senior Secured Notes.

In November 2018, we redeemed $121 million of principal and $5 million of accrued interest on our Senior Secured Notes. In April 2019, we repurchased $311 million of principal Senior Secured Notes for $342 million. The $31 million additional cash paid represents the 7% purchase premium and settlement of accrued payment-in-kind and cash interest on the notes prior to purchase.

b) Acquisitions or disposals of material assets

In April 2018, we entered into a settlement and release agreement, subject to Bankruptcy Court approval, with Jurong in respect of the *West Rigel*. The sale completed, and the proceeds were received on May 9, 2018. Per the terms of the Senior Secured Notes, we were required to redeem a proportion of the principal and interest outstanding on the notes using our share of the *West Rigel* sale proceeds. We used the proceeds to make a mandatory redemption of $121 million of principal and $5 million of accrued interest on November 1, 2018.

c) Other significant developments

In May 2018, we purchased an interest rate cap for $68 million to mitigate our exposure to future increases in LIBOR on our floating rate debt. The capped rate against the 3-month US LIBOR is 2.87% and covers the period from June 15, 2018 to June 15, 2023. The principal amount covered by the cap as at December 31, 2019 is $4.5 billion.

In July 2018, Seadrill Partners, received approximately $248 million relating to the *West Leo* early termination litigation award, of which $204 million was recognized as revenue in Seadrill Partners' Statement of Operations for the second quarter ended June 30, 2018. Seadrill Partners is an associated company in which we hold an investment (see ITEM 4C "Organizational Structure").

In October 2018, we completed a transaction that fully extinguished the sponsor guarantees given by Seadrill Limited and Sapura Energy Berhad for the benefit of the lenders of certain debt facilities of the Seabras Sapura joint venture. Seadrill Limited’s guarantee obligations were previously released, discharged and terminated as part of the Chapter 11 proceedings and under the terms of the October 31 transaction, the lenders confirmed that they had no outstanding claims against Seadrill Limited in respect of its guarantees and released and discharged Sapura Energy Berhad’s guarantees. In return for the release and discharge of both sponsors’ guarantees, the lenders under the debt facilities received, amongst other things, cross-collateralization of the debt facilities, a prepayment from the joint venture, an increase in margin and a consent fee.

In November 2018 and January 2019, we recovered a total of $47 million from a $48 million overdue receivable that was fully provided against in the Predecessor company. This was recognized as other operating income in our 2018 and 2019 Successor periods.

In December 2018, we reached an amicable agreement with Transocean over alleged patent infringement of the Transocean dual activity patent. Under the terms of the settlement, Seadrill and Seadrill Partners have entered into a global license agreement with Transocean of the dual activity drilling method on our rigs covering alleged past infringements and future use.

In February 2019, we entered into an agreement to establish a 50:50 joint venture ("Sonadrill") with Sonangol. The joint venture will operate four drillships, focusing on opportunities in Angolan waters. Each of the joint venture parties will bareboat charter two drillships into Sonadrill and we will manage and operate all the units. Seadrill is also responsible for managing the delivery and mobilization to Angolan waters of the two Sonangol drillships, from the shipyard in Korea, under a separate commissioning and mobilization agreement with Sonangol. In October 2019, Seadrill and Sonangol contributed $50 million equity into the joint venture. On October 1, 2019, the first bareboat charter and management agreements for the Sonangol drilling unit, *Libongos*, became effective. The rig commenced its first drilling contract on October 10, 2019.

Contracts to acquire eight newbuild jack-up rigs from Dalian were terminated between October 2017 and March 2019. In March 2019, the relevant Seadrill contracting parties commenced arbitration proceedings in London for all eight rigs to claim for the return of the paid installments plus interest and further damages for losses. The Seadrill contracting parties have also filed claims for these amounts as part of the Dalian insolvency proceedings in China, which commenced in January 2019. Dalian has stated that it has claims for damages in respect of each of the rigs, but it has not quantified those damages. The arbitrations are currently not progressing by agreement of the parties, pending the insolvency administrator's decision whether to accept or reject the Seadrill contracting parties' claims.

In August 2019, we entered into an agreement to establish a 50:50 joint venture ("Gulfdrill") with Gulf Drilling International ("GDI"), which will provide drilling services in Qatar. GDI has been awarded five long-term drilling contracts in Qatar which it will novate to Gulfdrill. We will lease two of our benign environment jack-up rigs, *West Castor* and *West Telesto*, to Gulfdrill for use under these contracts and have secured bareboat charters for a further three rigs from a third-party shipyard. GDI will manage and operate all rigs on behalf of the joint venture. In November 2019 the first rig from the shipyard was delivered and the *West Castor* commenced its lease.

3) Capital expenditures

Our capital expenditures primarily relate to (i) upgrades to our existing drilling units and (ii) costs incurred on major maintenance projects. In the year ended December 31, 2017 we additionally had significant capital expenditure for our newbuilding drilling unit program.

We have summarized capital expenditures for the periods covered by this annual report in the table below.

(In $ millions)	Successor		Predecessor	
Summary of capital expenditures	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Additions to newbuilding	—	—	(1)	(33)
Additions to drilling units and equipment	(48)	(27)	(48)	(59)
Payments for long-term maintenance	(114)	(71)	(78)	(58)
Total capital expenditure	**(162)**	**(98)**	**(127)**	**(150)**

4) Further information

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You may find additional information on Seadrill on that site. The address of that site is http://www.sec.gov.

B. BUSINESS OVERVIEW

1) Introduction

We are an offshore drilling contractor providing worldwide offshore drilling services to the oil and gas industry. Our primary business is the ownership and operation of drillships, semi-submersible rigs and jack-up rigs for operations in shallow to ultra-deepwater in both benign and harsh environments. We contract our drilling units to drill wells for our customers on a dayrate basis. Typically, our customers are oil super-majors, state-owned national oil companies and independent oil and gas companies.

Through a number of acquisitions of companies, second-hand units and newbuildings, we have developed into one of the world's largest international offshore drilling contractors. We own 35 drilling rigs and we manage and operate 20 rigs on behalf of Seadrill Partners, SeaMex, Sonangol, Sonadrill and Northern Drilling.

We are recognized for providing high quality operations, in some of the most challenging sectors of offshore drilling. We employee 4,538 employees across the globe. We are incorporated in Bermuda, and have worldwide operations based on where activities are conducted in the global oil and gas industry.

We operate through the following segments: (i) floaters; (ii) jack-up rigs; and (iii) other, as further explained below and in 5A - "Operating and Financial Review".

2) Our Fleet

Our fleet is one of the youngest and most modern of all the major offshore drilling contractors. We currently own a fleet of 35 drilling units, including seven drillships, 12 semi-submersible rigs and 16 jack-up rigs. We also have an option to purchase one semi-submersible rig. You may find additional information on our drilling units and newbuilding in item 4D - "Property, Plant and Equipment".

We categorize the drilling units in our fleet as (i) floaters and (ii) jack-ups. This is further explained below.

a) Floaters

Our floaters segment encompasses our drillships and semi-submersible rigs.

i. Drillships:

Drillships are self-propelled ships equipped for drilling offshore in water depths ranging from 1,000 to 12,000 feet and are positioned over the well through a computer-controlled thruster system. Drillships are suitable for drilling in remote locations because of their mobility and large load-carrying capacity. Depending on country of operation, drillships operate with crews of 50 or more people.

ii. Semi-submersible drilling rigs:

Semi-submersibles are self-propelled drilling rigs consisting of an upper working and living quarters deck connected to a lower hull consisting of columns and pontoons. Such rigs operate in a "semi-submerged" floating position, in which the lower hull is below the waterline and the upper deck protrudes above the surface. The rig is situated over a wellhead location and remains stable for drilling in the semi-submerged floating position, due in part to its wave transparency characteristics at the water line.

Semi-submersible rigs can be either moored or dynamically positioned. Moored semi-submersible rigs are positioned over the wellhead location with anchors and typically operate in water depths ranging up to 1,500 feet. Dynamically positioned semi-submersible rigs are positioned over the wellhead location by a computer-controlled thruster system and typically operate in water depths ranging from 1,000 to 12,000 feet. Depending on country of operation, semi-submersible rigs generally operate with crews of 50 or more people.

b) Jack-Up Rigs

Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the seabed. A jack-up rig is mobilized to the drill site with a heavy lift vessel or a wet tow. At the drill site, the legs are lowered until they penetrate the sea bed and the hull is elevated to an approximate operational airgap of 50 to 100 feet depending on the expected environmental forces. After completion of the drilling operations, the hull is lowered to floating draft, the legs are raised and the rig can be relocated to another drill site. Jack-ups are generally suitable for water depths of 450 feet or less and operate with crews of 90 to 120 people.

3) Competitive Strengths

We believe that our competitive strengths include:

i. One of the largest offshore drilling contractors

Since our inception in 2005, we have developed into one of the world's largest international offshore drilling contractors. While we are one of the largest offshore drilling companies, we also have one of the youngest rig fleets in our industry, with an average fleet age of approximately 10 years.

ii. Commitment to safety and the environment

We believe that the combination of quality drilling units and experienced and skilled employees allows us to provide our customers with safe and effective operations. Quality assets and operational expertise allow us to establish, develop and maintain a position as a preferred provider of offshore drilling services for our customers.

iii. Technologically advanced and young fleet

Our drilling units are among the most technologically advanced in the world. The majority of our rigs were built after 2007, which is among the lowest average fleet age in the industry. Our modern fleet offers superior technical capabilities, operational flexibility and reliability are preferred by customers and are winning most available opportunities. We believe, based on our proven operational track record and fleet composition, that we will be better placed to secure new drilling contracts than some of our competitors with older, less advanced rig fleets.

*iv. Strong and diverse customer relationship*s

We have strong relationships with our customers that we believe are based on our operational track record and quality of our fleet. Our customers are oil super-majors, state-owned national oil companies and independent oil and gas companies.

4) Overall Strategy

During the current challenging period for the industry and to maintain our position as a leading offshore driller, our strategy includes being able to deliver in the following key areas:

i. Best Operations

We are a leading offshore deepwater drilling company and our key objective is to deliver the best operations possible - both in terms of utilization and health, safety and environment. To do this, we leverage having one of the most modern fleets in the industry and our combination of experienced and skilled employees across the organization. Using our strong operational record, we intend to maximize opportunities for new drilling contracts and sustain a competitive cost structure, which we have been pursuing through our multi-year savings program.

ii. Right rigs

Our business model includes both floaters and jack-ups. Having the right rigs in these two segments allows us to offer a range of assets to suit our customer needs, to work in various geographies and water depths, and to position ourselves for future growth in the industry.

iii. Strongest relationships

We have established strong and long-term relationships with key players in the industry and we will seek to deepen and strengthen these relationships as part of our strategy. This involves identifying additional value-adding services for our existing customers and developing long-term partnerships. By providing the best possible service to our customers, and be valued partners in their success.

iv. Leading organization

We are proud of our Seadrill culture and we recognize that our business is built on people. As part of our strategy, we aim to recruit, retain, and develop the best people in the industry and to build an organization that adapts to business needs.

5) Markets

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. We operate in a single, global offshore drilling market, as our drilling rigs are mobile assets and are able to be moved according to prevailing market conditions. We organize our business into the following segments: (i) floaters, (ii) jack-ups and (iii) other. You can find an analysis of our revenues and fixed assets by operating segment and geography in Note 6 to the Consolidated Financial Statements included within this report.

The "floater" and "jack-up" segments are rig types as explained in section two above. Our "other" segment predominantly relates to the provision of management services to third parties and related parties, in which we charge a management fee income for such services. Please refer to Note 31 to the Consolidated Financial Statements included within this report for more information on management and administrative services provided to related parties.

6) Seasonality

In general, seasonal factors do not have a significant direct effect on our business. However, we have operations in certain parts of the world where weather conditions during parts of the year could adversely impact the operational utilization of the rigs and our ability to relocate rigs between drilling locations, and as such, limit contract opportunities in the short term. Such adverse weather could include the hurricane season and loop currents for our operations in the Gulf of Mexico, the winter season in offshore Norway, West of the Shetlands and Canada, and the monsoon season in Southeast Asia.

7) Customers

Our customers include oil super-majors, state-owned national oil companies and independent oil and gas companies. In addition, we provide management services to certain affiliated entities. You can find an analysis of our most significant customers in Note 6 to the Consolidated Financial Statements included within this report.

8) Drilling contracts

In general, we contract our drilling units to oil and gas companies to provide offshore drilling services at an agreed dayrate for a fixed contract term or on a well completion basis. Dayrates can vary, depending on the type of drilling unit and its capabilities, contract length, geographical location, operating expenses, taxes and other factors such as prevailing economic conditions. We do not provide "turnkey" or other risk-based drilling services to the customer. Instead, we provide a drilling unit and rig crews and charge the customer a fixed amount per day regardless of the number of days needed to drill the well. The customer bears substantially all the ancillary costs of constructing the well and supporting drilling operations, as well as most of the economic risk relative to the success of the well.

Where operations are interrupted or restricted due to equipment breakdown or operational failures, we do not generally receive dayrate compensation for the period of the interruption in excess of contractual allowances. Furthermore, the dayrate we receive can be reduced in instances of interrupted or suspended service due to, among other things, repairs, upgrades, weather, maintenance, force majeure or requested suspension of services by the customer and other operating factors.

However, contracts normally allow for compensation when factors beyond our control, including weather conditions, influence the drilling operations and, in some cases, for compensation when we perform planned maintenance activities. In some of our contracts, we are entitled to cost escalation to compensate for industry specific cost increases as reflected in publicly available cost indexes.

We may receive lump sum or dayrate based fees for the mobilization of equipment and personnel or for capital additions and upgrades prior to the start of drilling services. In some cases, we may also receive lump sum or dayrate based fees for demobilization upon completion of a drilling contract.

Our contracts may generally be terminated by the customer in the event the drilling unit is destroyed or lost or if drilling operations are suspended for an extended period because of a breakdown of major rig equipment, "force majeure" or upon the occurrence of other specified conditions. Some contracts include provisions that allow the customer to terminate the contract without cause for a specified early termination fee.

A drilling unit may be "stacked" if it has no contract in place. Drilling units may be either warm stacked or cold stacked. When a rig is warm stacked, the rig is idle but can deploy quickly if an operator requires its services. Cold stacking a rig involves reducing the crew to just a few key individuals or removal of the entire crew and storing the rig in a harbor, shipyard or designated area offshore.

9) Competition

The offshore drilling industry is highly competitive, with market participants ranging from large multinational companies to small locally-owned companies. The demand for offshore drilling services is driven by oil and gas companies’ exploration and development drilling programs. These drilling programs are affected by oil and gas companies’ expectations regarding oil and gas prices, anticipated production levels, worldwide demand for oil and gas products, the availability of quality drilling prospects, exploration success, availability of qualified rigs and operating personnel, relative production costs, availability and lead time requirements for drilling and production equipment, the stage of reservoir development and political and regulatory environments.

Oil and gas prices are volatile, which has historically led to significant fluctuations in expenditures by our customers for drilling services. Variations in market conditions during cycles impact us in different ways, depending primarily on the length of drilling contracts in different regions.

Offshore drilling contracts are generally awarded on a competitive bid basis or through privately negotiated transactions. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, technical specification, rig location, condition and integrity of equipment, their record of operating efficiency, safety performance record, crew experience, reputation and industry standing and customer relations.

Furthermore, competition for offshore drilling rigs is generally on a global basis, as rigs are highly mobile. However, the cost associated with mobilizing rigs between regions is sometimes substantial, as entering a new region could necessitate upgrades of the unit and its equipment to specific regional requirements. In particular, for rigs to operate in harsh environments, such as offshore Norway and Canada, as opposed to benign environments, such as the Gulf of Mexico, West Africa, Brazil and Southeast Asia, more demanding weather conditions would require more costly investment in the outfitting and maintenance of the drilling units.

For further information on current market conditions and global offshore drilling fleet, please see “Item 5D - Trend Information.”

10) Risk of Loss and Insurance

Our operations are subject to hazards inherent in the drilling of oil and gas wells, including blowouts and well fires, which could cause personal injury, suspend drilling operations, or seriously damage or destroy the equipment involved. Offshore drilling contractors are also subject to hazards particular to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Our rig insurance package policy provides insurance coverage for physical damage to our rigs, loss of hire for our working rigs and third-party liability.

i. Physical Damage Insurance

We purchase hull and machinery insurance to cover for physical damage to our drilling rigs. We retain the risk, through self-insurance, for the deductibles relating to physical damage insurance on our drilling unit fleet; currently, a maximum of $5 million per occurrence.

ii. Loss of Hire Insurance

We also have insurance to cover loss of revenue for our operational rigs (floaters and harsh environment jack-ups only) in the event of extensive downtime caused by physical damage, where such damage is covered under our physical damage insurance. The loss of hire insurance has a deductible period of up to 60 days after the occurrence of physical damage. Thereafter we are compensated for loss of revenue up to 290 days per event and aggregated per year. The daily indemnity will vary from 75% to 100% of the contracted dayrate. We retain the risk related to loss of hire during the initial 60-day period, as well as any loss of hire exceeding the number of days permitted under the insurance policy. If the repair period for any physical damage exceeds the number of days permitted under the loss of hire policy, we will be responsible for the loss of revenue in such a period.

iii. Protection and Indemnity Insurance

We also purchase Protection and Indemnity insurance (P&I) and excess liability insurance for personal injury liability for crew claims, non-crew claims and third-party property damage including oil pollution from the drilling rigs to cover claims of up to $500 million and $900 million in the United States per event and in the aggregate. We retain the risk for the deductible of up to $25,000 per occurrence relating to protection and indemnity insurance or up to $500,000 for claims made in the United States.

iv. Windstorm Insurance

We have elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a Combined Single Limit of $100 million in the annual aggregate, which includes loss of hire. We intend to renew our policy to insure a limited part of this windstorm risk for a further period starting May 1, 2020 through April 30, 2021.

11) Environmental and Other Regulations in the Offshore Drilling Industry

Our operations are subject to numerous laws and regulations in the form of international treaties and maritime regimes, flag state requirements, national environmental laws and regulations, navigation and operating permits requirements, local content requirements, and other national, state and local laws and regulations in force in the jurisdictions in which our drilling units operate or are registered, which can significantly affect the ownership and operation of our drilling units. See "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Company and Industry – Governmental laws and regulations, including environmental laws and regulations, may add to our costs, expose to us liability, or limit our drilling activity."

i. Flag State Requirements

All our drilling units are subject to regulatory requirements of the flag state where the drilling unit is registered. The flag state requirements are international maritime requirements and, in some cases, further interpolated by the flag state itself. These include engineering, safety and other requirements related to the maritime industry. In addition, each of our drilling units must be "classed" by a classification society. The classification society certifies that the drilling rig is "in-class," signifying that such drilling rig has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the flag state and the international conventions of which that country is a member. Maintenance of class certification requires expenditure of substantial sums and can require taking a drilling unit out of service from time to time for repairs or modifications to meet class requirements. Our drilling units must generally undergo class surveys annually and a renewal survey once every five years. In addition, for some of the internationally-required class certifications, such as the Code for the Construction and Equipment of Mobile Offshore Drilling Units (the "**MODU Code**") certificate, the classification society will act on a flag state's behalf.

ii. International Maritime Regimes

Applicable international maritime regime requirements include, but are not limited to, the International Convention for the Prevention of Pollution from Ships ("**MARPOL**"), the International Convention on Civil Liability for Oil Pollution Damage of 1969 (the "**CLC**"), the International Convention on Civil Liability for Bunker Oil Pollution Damage of 2001 (ratified in 2008), or the Bunker Convention, the International Convention for the Safety of Life at Sea of 1974 ("**SOLAS**"), the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, MODU Code, and the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004 (the "**BWM Convention**"). These various conventions regulate air emissions and other discharges to the environment from our drilling units worldwide, and we may incur costs to comply with these regimes and continue to comply with these regimes as they may be amended in the future. In addition, these conventions impose liability for certain discharges, including strict liability in some cases. See Item 3 "Key Information - D. Risk Factors - Risks Relating to Our Company and Industry - We are subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business."

The BWM Convention calls for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with a requirement for mandatory ballast water treatment. The BWM Convention entered into force on September 8, 2017. Under its requirements, only ballast water treatment will be accepted from the next International Oil Pollution Prevention renewal survey (after 8 September 2019). All Seadrill units considered in operational status are in full compliance with the staged implementation of the BWM Convention by International Maritime Organization guidelines.

As of January 1, 2020, MARPOL Annex VI, Regulation 14, requires the sulphur content of any fuel used on board ships to be limited to 0.5% m/m (percent by mass). The fuel we use is compliant to these regulations. Ships must either burn compliant fuel, or use an exhaust gas cleaning system, which have fitting and upkeep costs.

iii. Environmental Laws and Regulations

Applicable environmental laws and regulations include the U.S. Oil Pollution Act of 1990, ("**OPA**"), the Comprehensive Environmental Response, Compensation and Liability Act, ("**CERCLA**"), the U.S. Clean Water Act, ("**CWA**"), the U.S. Clean Air Act, ("**CAA**"), the U.S. Outer Continental Shelf Lands Act ("**OCSLA**"), the U.S. Maritime Transportation Security Act of 2002, ("**MTSA**"), European Union regulations, including the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations, and Brazil's National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Federal Law (9966/2000) relating to pollution in Brazilian waters. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault on our part. Implementation of new environmental laws or regulations that may apply to ultra-deepwater drilling units may subject us to increased costs or limit the operational capabilities of our drilling units and could materially and adversely affect our operations and financial condition. See Item 3 "Key Information - D. Risk Factors - Risks Relating to Our Company and Industry - We are subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business."

iv. Safety Requirements

Our operations are subject to special safety regulations relating to drilling and to the oil and gas industry in many of the countries where we operate. The United States undertook substantial revision of safety regulations applicable to our industry following the 2010 Deepwater Horizon Incident, in which we were not involved. Other countries also have undertaken or are undertaking a review of their safety regulations related to our industry. These safety regulations may impact our operations and financial results by adding to the costs of exploring for, developing and producing oil and gas in offshore settings. For instance, in 2016, the BSEE published a final rule that sets more stringent design requirements and operational procedures for critical well control equipment used in offshore oil and gas drilling and separately announced a risk-based inspection program for offshore facilities. Also, in 2016, BOEM issued a final Notice to Lessees and Operators imposing more stringent supplemental bonding procedures for the decommissioning of offshore wells, platforms and pipelines. These regulations, which may result in additional costs for us, have since become the subject of additional review and possible revision by BSEE and BOEM and, as a result, we cannot predict their impact on our future operations. The EU also has undertaken a significant revision of its safety requirements for offshore oil and gas activities through the issue of the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations. These other future safety and environmental laws and regulations regarding offshore oil and gas exploration and development may increase the cost of our operations, lead our customers to not pursue certain offshore opportunities and result in additional downtime for our drilling units. In addition, if material spill events similar to the Deepwater Horizon Incident were to occur in the future, or if other environmental or safety issues were to cause significant public concern, the United States or other countries could elect to, again, issue directives to cease drilling activities in certain geographic areas for lengthy periods of time.

v. Navigation and Operating Permit Requirements

Numerous governmental agencies issue regulations to implement and enforce the laws of the applicable jurisdiction, which often involve lengthy permitting procedures, impose difficult and costly compliance measures, particularly in ecologically sensitive areas, and subject operators to substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Some of these laws contain criminal sanctions in addition to civil penalties.

vi. Local Content Requirements

Governments in some countries have become increasingly active in local content requirements on the ownership of drilling companies, local content requirements for equipment utilized in our operations, and other aspects of the oil and gas industries in their countries. These regulations include requirements for participation of local investors in our local operating subsidiaries in countries such as Angola and Nigeria. There are currently also local content requirements in relation to drilling unit contracts in which we are participating in Brazil, although Brazil recently lessened local content requirements for future projects. Although these requirements have not had a material impact on our operations in the past, they could have a material impact on our earnings, operations and financial condition in the future.

vii. Other Laws and Regulations

In addition to the requirements described above, our international operations in the offshore drilling segment are subject to various other international conventions and laws and regulations in countries in which we operate, including laws and regulations relating to the importation of, and operation of, drilling units and equipment, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. There is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

C. ORGANIZATIONAL STRUCTURE

1) Consolidated Subsidiaries

A full list of our significant management, operating and rig-owning subsidiaries is shown in Exhibit 8.1. All subsidiaries are, indirectly or directly, wholly-owned by us, except as follows:

*i. Asia Offshore Drilling ("**AOD**")*

We have a 66.24% interest in Asia Offshore Drilling, a group comprised of Asia Offshore Rig 1 Ltd, Asia Offshore Rig 2 Ltd, and Asia Offshore Rig 3 Ltd which own the benign environment jack-up rigs *AOD 1, AOD 2 and AOD 3.* The remaining 33.76% interest is owned by Mermaid Maritime Public Company Limited ("**Mermaid**").

ii. *Ship Finance Variable Interest Entities*

Between 2007 and 2013 we entered into sale and leaseback arrangements for the semi-submersible rigs *West Taurus* and *West Hercules* and the jack-up rig *West Linus.* The counterparty to these arrangements was SFL Corporation Ltd ("**Ship Finance**"), who is a related party because our largest shareholder, Hemen, has a significant interest in both us and Ship Finance. Ship Finance incorporated SFL Deepwater Ltd, SFL Hercules Ltd, and SFL Linus Ltd for the sole purpose of owning and leasing the drilling units. Whilst these companies are wholly-owned subsidiaries of Ship Finance, we consolidate them under the variable interest entity model because we are the primary beneficiary of the entities.

iii. Seadrill Nigeria Operations Limited

HH Global Alliance Investments Limited ("Heirs Holdings"), an unrelated party registered in Nigeria, owns a non-controlling interest in one of our subsidiaries, Seadrill Nigeria Operations Limited, which holds a 10% interest in our drillship *West Jupiter* and previously supported the *West Jupiter's* operations whilst it was under contract with Total in Nigeria. In February 2020, we paid $11 million to Heirs Holdings for an option to buy the non-controlling interest at any point in the future for a $1 purchase price.

2) Investments in Non-Consolidated Entities

In addition to owning and operating our offshore drilling units through our subsidiaries, we also, from time to time, make investments in other offshore drilling and oil services companies. We currently have the following significant equity investments:

i. Seadrill Partners

Seadrill Partners is a Marshall Islands limited liability company that owns four drillships, four semi-submersible rigs and three tender rigs. Seadrill Partners focuses on owning and operating offshore drilling rigs under long-term contracts with major oil companies. As of February 29, 2020, we own 46.6% of the outstanding limited liability interests of Seadrill Partners, which includes 35% of the outstanding common units and 100% of its subordinated units. We also own significant non-controlling interests in most of the operating and rig-owning subsidiaries of Seadrill Partners. Seadrill Partners' common units were traded on the NYSE under the symbol "SDLP", before being suspended from trading on the exchange in August 2019 as the market capitalization decreased below $15 million for a period of 30 consecutive days. On December 23, 2019, the common units were delisted from the NYSE.

ii. SeaMex

SeaMex is a joint venture that owns and operates five jack-up drilling units located in Mexico under contract with Pemex. As of February 29, 2020, we have a 50% ownership stake in SeaMex. The remaining 50% interest is owned by an investment fund controlled by Fintech Investment Limited, ("**Fintech**").

iii. Archer

Archer is a global oilfield service company that specializes in drilling and well services. As of February 29, 2020 we own 15.7% of the outstanding common shares of Archer. We also own a convertible loan note that has a conversion right into equity of Archer.

iv. Seabras Sapura

Seabras Sapura is a group of related companies that own and operate six pipe-laying service vessels in Brazil. As of February 29, 2020, we have a 50% ownership stake in each of these companies. The remaining 50% interest is owned by Sapura Energy Berhad ("**Sapura Energy**").

v. Gulfdrill

Gulfdrill is a joint venture that will manage and operate five premium jack-ups in Qatar with Qatargas. As of February 29, 2020, we have a 50% ownership stake in Gulfdrill. The remaining 50% interest is owned by Gulf Drilling International **("GDI")**. We will lease two of our jack-up rigs to the joint venture, with the additional three units being leased from a third party shipyard. In November 2019 the first rig from the shipyard was delivered and the *West Castor* commenced its lease.

vi. Sonadrill

Sonadrill is a joint venture that will operate four drillships focusing on opportunities in Angolan waters. As of February 29, 2020, we have a 50% ownership stake in Sonadrill. The remaining 50% interest is owned by Sonangol EP **("Sonangol")**. Both Seadrill and Sonangol will bareboat two units into the joint venture. On October 1, 2019, the first bareboat and management agreements for the Sonangol drilling unit, *Libongos*, became effective. The rig commenced its first drilling contract on October 10, 2019.

You can find further information on our investments in non-consolidated entities in Note 18 to the Consolidated Financial Statements included in this report.

D. PROPERTY, PLANT AND EQUIPMENT

In this section, we provide details of our major categories of property, plant and equipment. We have categorized our assets as (i) drilling units, (ii) newbuildings and (iii) office and equipment. You can find further information in the notes to the Consolidated Financial Statements included in this report. Please refer to Note 19 for information on newbuildings, Note 20 for information on drilling units and Note 21 for information on office and equipment.

1) Drilling units

The following tables, presented as of December 31, 2019, provide certain specifications for our operational drilling rigs. Unless otherwise noted, the stated location of each rig indicates either the current drilling location, if the rig is operating, or the next operating location, if the rig is mobilizing for a new contract.

a) Drillships (7)

Unit	Year built	Water depth (feet)	Drilling depth (feet)	Location as at December 31, 2019	Estimated month of rig availability
West Navigator	2000	7,500	35,000	Norway	available
West Gemini	2010	10,000	35,000	Angola	March 2021
West Tellus	2013	12,000	40,000	Brazil	November 2021
West Neptune	2014	12,000	40,000	USA	December 2020
West Jupiter	2014	12,000	40,000	Spain	available
West Saturn	2014	12,000	40,000	Trinidad & Tobago	available
West Carina	2015	12,000	40,000	Malaysia	July 2020

b) Semi-submersible Rigs (12)

Unit	Year built	Water depth (feet)	Drilling depth (feet)	Location as at December 31, 2019	Estimated month of rig availability
West Alpha	1986	2,000	23,000	Norway	available
West Venture	2000	2,600	30,000	Norway	available
West Phoenix	2008	10,000	30,000	Norway	October 2023
West Hercules (i)	2008	10,000	35,000	Norway	March 2021
West Taurus (i)	2008	10,000	35,000	Norway	available
West Eminence	2009	10,000	30,000	Spain	available
West Orion	2010	10,000	35,000	Malaysia	available
West Pegasus	2011	10,000	35,000	Norway	available
West Eclipse	2011	10,000	40,000	Namibia	available
Sevan Driller	2009	10,000	40,000	Indonesia	available
Sevan Brasil	2012	10,000	40,000	Aruba	available
Sevan Louisiana	2013	10,000	40,000	USA	June 2020

c) Jack-up Rigs (16)

Unit	Year built	Water depth (feet)	Drilling depth (feet)	Location as at December 31, 2019	Estimated month of rig availability
West Epsilon	1993	400	30,000	Norway	available
West Prospero	2007	400	30,000	Malaysia	available
West Vigilant	2008	350	30,000	Malaysia	available
West Ariel	2008	400	30,000	United Arab Emirates	available
West Freedom	2009	350	30,000	Colombia	available
West Cressida	2009	375	30,000	Thailand	available
West Callisto	2010	400	30,000	Saudi Arabia	December 2022
West Leda	2010	375	30,000	Malaysia	available
West Elara	2011	450	40,000	Norway	September 2027
West Castor	2013	400	30,000	Suriname	March 2023
West Telesto	2013	400	30,000	Malaysia	May 2023
West Tucana	2013	400	30,000	Qatar	April 2020
AOD I [(ii)]	2013	400	30,000	Saudi Arabia	July 2022
AOD II [(ii)]	2013	400	30,000	Saudi Arabia	May 2023
AOD III [(ii)]	2013	400	30,000	Saudi Arabia	January 2023
West Linus [(i)]	2014	450	40,000	Norway	December 2028

Our drilling units have been pledged as collateral for our borrowing facilities. Please refer to Note 22 to the Consolidated Financial Statements included in this report for further details.

As of December 31, 2019, we wholly-owned all the drilling rigs in our fleet noted in the tables above, except as follows:

i. The jack-up rig *West Linus* and the semi-submersible rigs *West Hercules* and *West Taurus* are owned by wholly-owned subsidiaries of Ship Finance and leased to us under capital leases. We consolidate the Ship Finance rig owning entities for these rigs under the variable interest model. Please see Note 35 to the Consolidated Financial Statements included in this report for further details of these arrangements.

ii. We own a 66.23% interest in the jack-up rigs *AOD I*, *AOD II* and *AOD III*. Please see ITEM 4C "Organizational Structure" for further details.

2) Newbuildings

In addition to the drilling units above, we have an option to acquire the semi-submersible rig *Sevan Developer*. The following table sets out details of this rig.

Unit	Rig type	Water depth (feet)	Drilling depth (feet)	Area of location	Status
Sevan Developer	Semi-submersible	10,000	40,000	Cosco Shipyard (China)	Under construction

The option to purchase the *Sevan Developer* expires on June 30, 2020. The rig will remain in China at the Cosco Shipyard during which time we retain the right to market the rig and acquire the rig at the original contracted amount. The termination agreement gives Cosco a right to terminate the contract at any time.

3) Office and Equipment

We lease offices and other properties in several locations including Stavanger and Oslo in Norway, Singapore, Houston in the United States, Rio de Janeiro in Brazil, Dubai in the United Arab Emirates and Aberdeen, Liverpool and London in the United Kingdom. Our Consolidated Balance Sheet includes office equipment, IT equipment and leasehold improvements held in these locations.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW

In this section, we present management's discussion and analysis of results of operations and financial condition. It should be read in conjunction with our Consolidated Financial Statements and accompanying notes thereto included herein. You should also carefully read the following sections of this annual report entitled "Cautionary Statement Regarding Forward-Looking Statements," ITEM 3 - "Key Information—A. Selected Financial Data", ITEM 3 - "Key Information—D. Risk Factors" and ITEM 4 - "Information on the Company".

Our Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and are presented in U.S. dollars unless otherwise indicated. We refer you to the notes to our Consolidated Financial Statements for a discussion of the basis on which our Consolidated Financial Statements are prepared.

1) Introduction

We are an offshore drilling contractor providing worldwide offshore drilling services to the oil and gas industry. For a detailed description of our business please read ITEM 4B - "Business Overview".

2) Chapter 11 Reorganization and Application of Fresh Start Accounting

In this section we have provided a summarized description of our Chapter 11 Reorganization below, together with an overview of Fresh Start Accounting which we applied on emergence from Chapter 11 on July 2, 2018. Please read ITEM 4A - "History and Development of the Company" for a detailed description of the Chapter 11 Reorganization.

i. *Chapter 11 Reorganization*

Prior to the filing of Chapter 11 Proceedings (as defined below), we were engaged in extensive discussions with our secured lenders, certain holders of our unsecured bonds and potential new money investors regarding the terms of a comprehensive restructuring. The objectives of the restructuring were to build a bridge to a recovery and achieve a sustainable capital structure. To achieve this, we had proposed an extension to our bank maturities, reduced debt amortization payments, amendments to financial covenants and raising of new capital.

On September 12, 2017, Old Seadrill Limited, certain of its subsidiaries (together "the **Company Parties**") and certain Ship Finance companies entered into a restructuring support and lock-up agreement ("**RSA**") with a group of bank lenders, bondholders, certain other stakeholders, and new-money providers. In connection with the RSA, the Company Parties entered into an "**Investment Agreement**" under which Hemen Investments Limited, an affiliate of Old Seadrill Limited's largest shareholder Hemen Holding Ltd. and certain other commitment parties, committed to provide $1.06 billion in new cash commitments, subject to certain terms and conditions (the "**Capital Commitment**").

On September 12, 2017, to implement the transactions contemplated by the RSA and Investment Agreement, Old Seadrill Limited and certain of its subsidiaries (the "**Debtors**") commenced prearranged reorganization proceedings (the "**Chapter 11 Proceedings**") under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas Victoria Division. During the bankruptcy proceedings, the Debtors continued to operate the business as debtors in possession.

After September 12, 2017, the Debtors negotiated with their various creditors and on February 26, 2018 announced a "**Global Settlement**", following which there were amendments to the RSA and Investment Agreement. These amendments provided for, amongst other things, the inclusion of certain other creditors as Commitment Parties, an increase of the Capital Commitment to $1.08 billion, increased recoveries for general unsecured creditors under the Plan and an agreement regarding allowed claims from certain newbuild shipyards.

On February 26, 2018, the Debtors filed a proposed Second Amended Joint Chapter 11 Plan of Reorganization (the "**Plan**") with the Bankruptcy Court. The Plan was confirmed by the Bankruptcy Court on April 17, 2018. The Plan became effective and the Debtors emerged from Chapter 11 Proceedings on July 2, 2018 (the "**Effective Date**").

The Plan extinguished approximately $2.4 billion in unsecured bond obligations, more than $1.0 billion in contingent newbuild obligations, substantial unliquidated guarantee obligations, and approximately $250 million in unsecured interest rate and currency swap claims, while extending near term debt maturities, providing Seadrill with over $1.0 billion in new capital and leaving employee, customer and ordinary trade claims largely unimpaired.

ii. Application of Fresh Start Accounting

Upon emergence from Chapter 11 bankruptcy on July 2, 2018, we adopted fresh start accounting in accordance with the provisions set forth in ASC 852, *Reorganizations*. Adopting fresh start accounting resulted in a new financial reporting entity with no retained earnings or deficits brought forward. Upon the adoption of fresh start accounting, our assets and liabilities were recorded at their fair values which differ materially from the recorded values of our assets and liabilities as reflected in the Predecessor historical Consolidated Balance Sheets. The effects of the Plan and the application of fresh start accounting were applied as of July 2, 2018 and the new basis of our assets and liabilities are reflected in our Consolidated Balance Sheet as of December 31, 2018 and the related adjustments thereto were recorded in the Consolidated Statement of Operations of the Predecessor as "Reorganization items" during the 2018 Predecessor period.

Accordingly, our Consolidated Financial Statements for periods after July 2, 2018 are not and will not be comparable to the Predecessor Consolidated Financial Statements prior to July 1, 2018. Our Consolidated Financial Statements and related footnotes are presented with a black line division which delineates the lack of comparability between amounts presented on July 2, 2018 and dates prior. Our financial results for future periods following the application of fresh start accounting will be different from historical trends and the differences may be material.

Refer to Note 5 – Fresh Start Accounting to our Consolidated Financial Statements included herein.

3) Changes to our fleet

The below table shows the number of operational drilling units included in our fleet for each of the periods covered by this report.

	Successor		Predecessor
Operational drilling units	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
Drillships	7	7	7
Semi-submersible rigs	12	12	12
Total floaters	**19**	**19**	**19**
Jack-up rigs	16	16	16
Total operational units	**35**	**35**	**35**

The below table shows the number of newbuildings for each of the periods covered by this report.

	Successor		Predecessor
Number of units	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
Drillships	—	—	4
Semi-submersible rigs	1	1	2
Total floaters	**1**	**1**	**6**
Jack-up rigs	—	2	8
Total operational units	**1**	**3**	**14**

Drillships decreased by four during 2018 due to the rejection and termination of the newbuild contracts for the *West Dorado, West Draco, West Aquila* and the *West Libra* in accordance with the Global Settlement (described above). In return, the counterparties to these contracts, Samsung Heavy Industries Co., Ltd. ("**Samsung**") and Daewoo Shipbuilding & Marine Engineering Co., Ltd ("**DSME**"), received an allowed claim and became Commitment Parties to the Investment Agreement. At December 31, 2017, we recorded a liability of $1,064 million for the allowed claim and impairment of $696 million against the newbuild assets we had previously recorded for those rigs.

On May 9, 2018, the semi-submersible newbuild, *West Rigel,* was sold by Jurong Shipyard Pte Ltd. ("**Jurong**") and we received a share of proceeds totaling $126 million. We recorded a $2 million loss on disposal for this transaction at December 31, 2017.

Jack-up newbuild rigs decreased by six during 2018 due to terminations of Newbuild contracts between us and the Dalian Shipyard. The contracts for the remaining two jack-up rigs from the Dalian shipyard, the *West Dione and West Mimas*, were terminated in February 2019 and April 2019, respectively. Please refer to Note 34 - Commitments and Contingencies for further details.

We have an option to acquire the semi-submersible rig *Sevan Developer*. The option to purchase the *Sevan Developer* expires on June 30, 2020.

Please read "ITEM 4D. - Property, Plant and Equipment" for further information on our operational drilling units and newbuilds at December 31, 2019.

4) Contract backlog

Order Backlog includes all firm contracts at the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period. For contracts which include a market indexed rate mechanism we utilize the current applicable dayrate multiplied by the number of days remaining in the firm contract period. Order Backlog excludes revenues for mobilization, demobilization and contract preparation or other incentive provisions and excludes backlog relating to Non-Consolidated Entities.

The contract backlog for our fleet was as follows as at the dates specified:

(In $ millions)	Successor		Predecessor
Contract backlog	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
Floaters	803	630	870
Jack-ups	1,741	1,457	1,659
Total	**2,544**	**2,087**	**2,529**

Our contract backlog includes only firm commitments represented by signed drilling contracts. The full contractual operating dayrate may differ to the actual dayrate we ultimately receive. For example, an alternative contractual dayrate, such as a waiting-on-weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. The contractual operating dayrate may also differ to the actual dayrate we ultimately receive because of several other factors, including rig downtime or suspension of operations. In certain contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period.

We project our December 31, 2019 contract backlog to unwind over the following periods.

(In $ millions)		Successor			
Contract backlog	**Total**	**2020**	**2021**	**2022**	**Thereafter**
Floaters	803	425	136	131	111
Jack-ups	1,741	296	287	270	888
Total	**2,544**	**721**	**423**	**401**	**999**

The actual amounts of revenues earned and the actual periods during which revenues are earned will differ from the amounts and periods shown in the tables above due to various factors, including shipyard and maintenance projects, unplanned downtime and other factors that result in lower applicable dayrates than the full contractual operating dayrate. Additional factors that could affect the amount and timing of actual revenue to be recognized include customer liquidity issues and contract terminations, which are available to our customers under certain circumstances.

A. RESULTS OF OPERATIONS

The year ended 2019, the 2018 Successor period, the 2018 Predecessor period and the year ended 2017

The tables included below set out financial information for the periods presented. The 2018 Successor period and the 2018 Predecessor period are distinct reporting periods because of the application of fresh start accounting upon emergence from Chapter 11 bankruptcy on July 2, 2018. These periods may not be comparable to each other or prior periods. We have therefore not made comparisons between accounting measures in non-comparable periods. We have made comparisons for non-accounting driven performance indicators, where applicable.

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Operating revenues	1,388	541	712	2,088
Operating expenses	(1,722)	(737)	(918)	(1,902)
Other operating items	39	21	(407)	(914)
Operating loss	**(295)**	**(175)**	**(613)**	**(728)**
Interest expense	(487)	(261)	(38)	(285)
Reorganization items	—	(9)	(3,365)	(1,337)
Other income and expense	(479)	(152)	161	(686)
Loss before income taxes	**(1,261)**	**(597)**	**(3,855)**	**(3,036)**
Income tax benefit / (expense)	39	(8)	(30)	(66)
Net loss	**(1,222)**	**(605)**	**(3,885)**	**(3,102)**

1) Operating revenues

Total operating revenues consist of contract revenues, reimbursable revenues and other revenues. We have analyzed operating revenues between these categories in the table below:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Contract revenues	997	469	619	1,888
Reimbursable revenues	264	26	21	38
Other revenues	127	46	72	162
Operating revenues	**1,388**	**541**	**712**	**2,088**

a) Contract revenues

Contract revenues represent the revenues that we earn from contracting our drilling units to customers, primarily on a dayrate basis. We have analyzed contract revenues by segment in the table below.

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters	644	307	437	1,283
Jack-ups	353	162	182	605
Contract revenues	**997**	**469**	**619**	**1,888**

Contract revenues are primarily driven by the average number of rigs under contract during a period, the average dayrates earned and economic utilization achieved by those rigs under contract. We have set out movements in these key indicators of performance in the sections below.

i. *Average number of rigs on contract*

We calculate the average number of rigs on contract by dividing the aggregate days our rigs were on contract during the reporting period by the number of days in that reporting period. The average number of rigs on contract for the periods covered is set out in the below table:

	Successor		**Predecessor**	
(Number)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Floaters	7	7	10	8
Jack-ups	9	8	8	11
Average number of rigs on contract	**16**	**15**	**18**	**19**

Floaters

The average number of floaters on contract for the year ended 2019 was the same as for the 2018 Successor period. The *West Carina* and *Sevan Louisiana* both operated in 2019 after periods of being idle. This was offset by the *West Gemini* being idle between August and November 2019 and the *West Saturn* completing its contract with Equinor in October 2019.

The average number of floaters on contract decreased by three between the 2018 Predecessor period and the 2018 Successor period primarily due to the *West Carina* and *Sevan Brazil* completing their contracts with Petrobras in Brazil and the *West Eclipse* completing its contract with ExxonMobil in Angola.

The average number of floaters on contract increased by two between the year ended 2017 and the 2018 Predecessor period primarily due to the reactivation of the *West Hercules* which started work in the North Sea in April 2018 and the *West Saturn* commencing a new contract with Equinor in Brazil in February 2018.

Jack-ups

The average number of jack-ups on contract increased by one between the year ended 2019 and the 2018 Successor period. The *West Castor* returned to operations in March 2019 after being warm stacked since July 2018 and the *West Tucana* had a full year of operations after its reactivation in October 2018. This was offset by a period of idle time on the *West Cressida* during the first half of 2019.

The average number of jack-ups on contract was unchanged between the 2018 Predecessor period and the 2018 Successor period as the *West Cressida* and *West Tucana* started work on new contracts in July 2018 and October 2018 which was offset by *West Castor* completing its contract in June 2018.

The average number of jack-ups on contract decreased by three between the year ended 2017 and the 2018 Predecessor period primarily due to the *West Tucana, West Cressida and West Ariel* completing their contracts in 2017 and early 2018.

ii. Average contractual dayrates

We calculate the average contractual dayrate by dividing the aggregate contractual dayrates during a reporting period by the aggregate number of days for the reporting period. We have set out the average contractual dayrates for the periods presented in the below table:

	Successor		**Predecessor**	
(In $ thousands)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Floaters	245	231	279	395
Jack-ups	106	106	131	150

Floaters

The average contractual dayrate for floaters increased by $14k per day between the year ended 2019 and 2018 Successor period. This was primarily due to the *West Phoenix* and *West Hercules* operating at higher dayrates in 2019 compared to 2018.

The average contractual dayrate for floaters decreased by $48k per day between the 2018 Predecessor and 2018 Successor periods primarily due to the *West Carina* and *West Eclipse* completing legacy contracts for Petrobras and ExxonMobil, respectively in July 2018.

The average contractual dayrate for floaters decreased by $116k per day between the year ended 2017 and the 2018 Predecessor period primarily due to the completion of legacy contracts on the *West Neptune* and *West Gemini* with LLOG and Total respectively, which were replaced with lower dayrate contracts.

Jack-ups

The average contractual dayrate for jack-ups for the year ended 2019 was the same as for the 2018 Successor period. The *West Elara* earned a higher dayrate on its contract with ConocoPhillips when it moved to a market-indexed rate. However, this was offset by the *West Callisto* and *AOD 1* securing long-term extensions at lower dayrates with Saudi Aramco.

The average contractual dayrate for jack-ups decreased by $25k per day between 2018 Predecessor and 2018 Successor periods due to the *West Elara* and *West Linus* securing long-term contracts with ConocoPhillips at a lower dayrate for an interim period and the *West Castor* completing its contract.

The average contractual dayrate for jack-ups decreased by $19k per day between the year ended 2017 and the 2018 Predecessor period primarily due to the *West Elara* moving to a lower dayrate with ConocoPhillips in Norway and the *West Tucana* and *West Ariel* completing legacy contracts.

iii. Economic utilization for rigs on contract

We define economic utilization as dayrate revenue earned during the period, excluding bonuses, divided by the contractual operating dayrate multiplied by the number of days on contract in the period. If a drilling unit earns its full operating dayrate throughout a reporting period, its economic utilization would be 100%. However, there are many situations that give rise to a dayrate being earned that is less than contractual operating rate, such as planned downtime for maintenance. In such situations, economic utilization reduces below 100%.

Economic utilization for each of the periods presented in this report is set out in the below table:

	Successor		Predecessor	
(Percentage)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters	92%	95%	95%	97%
Jack-ups	96%	99%	98%	98%

The economic utilization for floaters has decreased for the year ended 2019 to 92%. This was primarily due to the operational downtime on the *Sevan Louisiana* in early 2019 and planned maintenance activities on the *West Neptune* and *West Tellus* in the second half of the year.

Economic utilization has remained in the range of 95% to 99% for each of the other periods presented in this report.

b) Reimbursable revenues

We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel and other services provided at their request in accordance with a drilling contract. We classify such revenues as reimbursable revenues.

Reimbursable revenues for the year ended 2019 included revenue of $167 million for a contract to perform the first mobilization of the *West Mira* and *West Bollsta* for Northern Drilling and $56 million for a contract to perform the first mobilization of the *Libongos* and *Quenguela* for Sonangol.

c) Other revenues

Other revenues include the following:

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Related party management fees *(i)*	109	46	43	110
Other management fees *(ii)*	6	—	—	1
Leasing revenues *(iii)*	1	—	—	—
Amortization of unfavorable contracts *(iv)*	—	—	21	43
Early termination fees *(v)*	11	—	8	8
Other revenues	**127**	**46**	**72**	**162**

i. Related party management fees

Related party revenues represent income from management and technical support services provided to Seadrill Partners, SeaMex, Sonadrill and Northern Drilling.

ii. Other management fees

Revenue from management services provided to third parties.

iii. Leasing revenues

Revenue earned on the charter of the *West Castor* to Gulfdrill.

iv. Amortization of unfavorable contracts

We recognize an intangible asset or liability if we acquire a drilling contract in a business combination and the contract had a dayrate that was above or below market rates at the time of the business combination. For the periods before emergence from Chapter 11 we classified the amortization of these intangible assets or liabilities within other revenues. Post-emergence and after the application of fresh start accounting, we have applied a new accounting policy which classifies amortization of these intangible assets and liabilities within operating expenses.

v. Early termination fees

The termination fee revenue in the year ended 2019 relates to the fees recognized for the *West Jupiter* and *West Castor*, the 2018 Predecessor period and the year ended 2017 included early termination fee revenue for the *West Pegasus* and *West Hercules,* respectively.

2) Operating expenses

Total operating expenses include vessel and rig operating expenses, amortization of intangibles, reimbursable expenses, depreciation of drilling units and equipment, and selling, general and administrative expenses. We have analyzed operating expenses between these categories in the table below:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Vessel and rig operating expenses *(i)*	(770)	(357)	(407)	(792)
Depreciation *(ii)*	(426)	(236)	(391)	(798)
Amortization of intangibles *(iii)*	(134)	(58)	—	—
Reimbursable expenses	(262)	(24)	(20)	(35)
Selling, general and administrative expenses *(iv)*	(130)	(62)	(100)	(277)
Operating expenses	**(1,722)**	**(737)**	**(918)**	**(1,902)**

i. *Vessel and rig operating expenses*

Vessel and rig operating expenses represent the costs we incur to operate a drilling unit that is either in operation or stacked. This includes the remuneration of offshore crews, rig supplies, expenses for repair and maintenance and onshore support costs.

For periods prior to emergence from Chapter 11 we classified certain operational support and information technology related costs incurred by our support functions within selling, general and administrative expenses. As part of fresh start accounting and for periods after emergence we classified these costs within vessel and rig operating expenses. Vessel and rig operating expenses for the 2018 Predecessor and Successor periods are therefore not comparable.

We have analyzed vessel and rig operating expenses by segment in the table below:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Floaters	493	223	239	480
Jack-ups	221	119	158	286
Other	56	15	10	26
Vessel and rig operating expenses	**770**	**357**	**407**	**792**

Vessel and rig expenses for jack-ups in the 2018 Predecessor period included a bad debt expense of $48 million relating to an overdue receivable. This receivable was not recognized as part of fresh start accounting in the 2018 Successor period. We subsequently recovered $21 million on November 27, 2018 and a further $26 million on January 10, 2019 which is recognizable on receipt within "other operating income" (see section 3 below).

Excluding the effect of the one-time items discussed above, vessel and rig operating expenses are mainly driven by rig activity. On average, we incur higher vessel and rig operating expenses when a rig is operating compared to when it is stacked. For stacked rigs we incur higher vessel and rig expenses for warm stacked rigs compared to cold stacked rigs. We incur one-time costs for activities such as preservation and severance when we cold stack a rig. We also incur significant costs when re-activating a rig from cold stack, a proportion of which is expensed as incurred.

We have analyzed the average number of rigs by status and segment over the reporting period in the table below:

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters				
Operating	7	7	10	8
Warm stacked	2	3	—	2
Cold stacked	10	9	9	9
Average number of Floaters	**19**	**19**	**19**	**19**
Jack ups				
Operating	9	8	8	11
Warm stacked	1	1	3	—
Cold stacked	6	7	5	5
Average number of Jack-ups	**16**	**16**	**16**	**16**

For detail on the movement in operating rigs in each period presented, please refer to the above section "i. Average number of rigs on contract".

The number of cold stacked floaters was consistent in the year ended 2017, the 2018 predecessor period and the 2018 successor periods. The number increased by one in the year ended 2019 as the *West Eclipse* went from warm stack to cold stack.

The number of cold stacked jack-up rigs was consistent between the year ended 2017 and 2018 predecessor periods. During the 2018 successor the *West Ariel* went from warm stack to cold stack. The number of cold stacked rigs decreased by one between the 2018 successor period and the year ended 2019 as the *West Tucana* became operational.

ii. Depreciation of drilling units and equipment

We record depreciation expense to reduce the carrying value of drilling unit and equipment balances to their residual value over their expected remaining useful economic lives. We reduced the carrying value of drilling unit and equipment balances when we (i) applied fresh start accounting on emergence from Chapter 11 and (ii) recorded long-lived asset impairments against the *West Alpha*, *West Navigator* and *West Epsilon* at June 30, 2018. The depreciation expense for the 2018 Successor period is therefore based on lower carrying values of drilling units and equipment and is not comparable to the level of depreciation expense recorded in the Predecessor periods.

iii. Amortization of intangibles

For periods before emergence from Chapter 11 we recognized intangible assets or liabilities only where we acquired a drilling contract in a business combination. The accounting policy we applied in the Predecessor was to classify amortization for such contracts within other revenues. On emergence from Chapter 11 and application of fresh start accounting, we recognized intangible assets and liabilities for favorable and unfavorable drilling contracts at fair value. We amortize these assets and liabilities over the remaining contract period and classify the amortization under operating expenses.

iv. Selling, general and administrative expenses

Selling, general and administrative expenses include the cost of our corporate and regional offices, certain legal and professional fees as well as the remuneration and other compensation of our officers, directors and employees engaged in central management and administration activities. Legal and professional fees incurred for our Chapter 11 reorganization post-petition were classified under reorganization items.

As discussed in section 2 above, we changed the classification of certain support function costs for periods after emergence. Selling, general and administrative expenses for the successor periods is therefore not comparable to the level of expense recorded in the predecessor periods.

3) Other operating items

Other operating items include impairments of long-lived assets, loss on sale of assets and other operating income. We have analyzed other operating items between these categories in the below table:

(In $ millions)	Successor Year ended December 31, 2019	Successor Period from July 2, 2018 through December 31, 2018	Predecessor Period from January 1, 2018 through July 1, 2018	Predecessor Year ended December 31, 2017
Loss on impairment of long-lived assets *(i)*	—	—	(414)	(696)
Loss on sale of assets *(ii)*	—	—	—	(245)
Other operating income *(iii)*	39	21	7	27
Other operating items	**39**	**21**	**(407)**	**(914)**

i. Impairment of long-lived assets

In the year ended 2017, as part of the Chapter 11 re-organization, we terminated the newbuild contracts for the drillships *West Draco*, *West Dorado*, *West Aquila* and *West Libra* and the shipyards, Samsung and DSME, received an allowed claim. As a result, we recorded a $696 million non-cash impairment charge against the newbuild assets for these rigs. We also recorded a reorganization expense of $1,064 million for the allowed claim (see section 5 below).

In the 2018 Predecessor period, we determined that the continuing downturn in the offshore drilling market was an indicator of impairment on certain assets. Following an assessment of recoverability, we recorded an impairment charge of $414 million against three of our older rigs.

ii. Loss on sale of assets

The loss on sale of assets for the year ended 2017 was due to the sale of the *West Triton, West Mischief* and *West Resolute* to Shelf Drilling, recognizing a loss on disposal of $166 million, and the derecognition of the *Sevan Developer*, following renegotiated terms with Cosco which deemed us to have lost control of the asset, resulting in a $75 million loss.

iii. Other operating income

The below table summarizes the main components of other operating income for the periods presented.

(In $ millions)	Successor Year ended December 31, 2019	Successor Period from July 2, 2018 through December 31, 2018	Predecessor Period from January 1, 2018 through July 1, 2018	Predecessor Year ended December 31, 2017
Loss of hire insurance settlement *(i)*	10	—	—	—
Receipt of overdue receivable *(ii)*	26	21	—	—
Contingent consideration *(iii)*	—	—	7	27
Settlement with shipyard	3	—	—	—
Other operating items	**39**	**21**	**7**	**27**

i. Loss of hire insurance settlement

Settlement of a claim on our loss of hire insurance policy following an incident on the *Sevan Louisiana.*

ii. Receipt of overdue receivable

Receipt of overdue receivables which had not been recognized as an asset as part of fresh start accounting.

iii. Contingent consideration

Amounts recognized for contingent consideration from the sales of the *West Vela* and *West Polaris* to Seadrill Partners in 2014 and 2015. On emergence from Chapter 11 we recognized receivables equal to the fair value of expected future cash flows under these arrangements and have therefore not recognized further income in the 2018 Successor period and year ended 2019.

4) Interest expense

We have analyzed interest expense into the following components:

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Cash and payment-in-kind interest on debt facilities *(i)*	(440)	(237)	(37)	(286)
Unwind of discount debt *(ii)*	(47)	(24)	—	—
Loan fee amortization *(iii)*	—	—	(1)	(27)
Capitalized interest *(iv)*	—	—	—	28
Interest expense	**(487)**	**(261)**	**(38)**	**(285)**

i. *Cash and payment-in-kind interest on debt facilities*

We incur cash and payment-in-kind interest on our debt facilities. This is summarized in the table below.

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Senior credit facilities and unsecured bonds	(327)	(162)	(116)	(320)
Less: adequate protection payments	—	—	104	81
Senior Secured Notes	(66)	(50)	—	—
Debt of consolidated variable interest entities	(47)	(25)	(25)	(47)
Cash and payment-in-kind interest	**(440)**	**(237)**	**(37)**	**(286)**

We are charged interest on our senior credit facilities at LIBOR plus a margin. For periods after July 2, 2018, this margin increased by one percentage point following the emergence from Chapter 11. There has also been an increase in LIBOR rates, which when combined with the additional post-emergence margin, has led to an increased effective interest rate on our senior credit facilities in the year ended 2019.

During the period we were in Chapter 11 (September 12, 2017 to July 1, 2018), we recorded contractual interest payments against debt held as subject to compromise ("adequate protection payments") as a reduction to debt in the Consolidated Balance Sheet and not as an expense to the Consolidated Statement of Operations. We then expensed the adequate protection payments on emergence from Chapter 11 (classified under reorganization items - see section 5 below).

On emergence from Chapter 11 we issued $880 million of Senior Secured Notes. We incur 4% cash interest and 8% payment-in-kind interest on these notes. On November 14, 2018 and April 10, 2019 there were two redemptions. After the two redemptions there was a remaining $476 million principal outstanding on the notes, which includes $18 million of accrued payment-in-kind interest on our Senior Secured Notes which was compounded on July 15, 2019 and additional notes were issued.

Our Consolidated Balance Sheet includes approximately $0.6 billion of debt facilities held by subsidiaries of Ship Finance that we consolidate as variable interest entities. Our interest expense includes the interest incurred by these entities on those facilities.

ii. Unwind of discount on debt

On emergence from Chapter 11 and application of fresh start accounting, we recorded a discount against our debt to reduce its carrying value to equal its fair value. The debt discount is unwound over the remaining terms of the debt facilities.

iii. Loan fee amortization

We amortize loan issuance costs over the expected term of the associated debt facility. We expensed capitalized loan issuance costs for debt subject to compromise when we filed for Chapter 11 on September 12, 2017. No new debt facilities have been entered into since emerging from Chapter 11.

iv. Capitalized interest

We capitalize the interest cost incurred to finance Newbuilds. This ceased when we filed for Chapter 11 on September 12, 2017. No Newbuild finance has been entered into since emerging from Chapter 11.

5) Reorganization items

We have analyzed reorganization items into the following components:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Professional and advisory fees	—	(9)	(187)	(66)
New investor commitment fees	—	—	—	(53)
Gain on liabilities subject to compromise	—	—	2,958	—
Fresh start valuation adjustments	—	—	(6,142)	—
Loss on Newbuilding global settlement claim	—	—	—	(1,064)
Loss on other pre-petition allowed claims	—	—	—	(3)
Write-off of debt issuance costs	—	—	—	(66)
Reversal of credit risk on derivatives	—	—	—	(89)
Interest income on surplus cash invested	—	—	6	4
Total reorganization items, net	**—**	**(9)**	**(3,365)**	**(1,337)**

Prior to emergence from Chapter 11, reorganization items included professional and advisory fees for post-petition Chapter 11 expenses, adjustments to the carrying value of liabilities subject to compromise to their estimated allowed claims amount, gains on liabilities subject to compromise, fresh start adjustments and interest income generated from surplus cash invested. We have also classified professional and advisory fees that we incurred post-emergence, but relate to our Chapter 11 filing, within reorganization items.

You can find additional detail on reorganization items in Note 4 to the Consolidated Financial Statements included within this report.

6) Other income and expense

We have analyzed other income and expense into the following components:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Interest income *(i)*	69	40	19	60
Share in results from associated companies *(ii)*	(115)	(90)	149	174
Impairment of investments *(iii)*	(302)	—	—	(841)
(Loss)/ gain on derivative financial instruments *(iv)*	(37)	(31)	(4)	11
(Loss)/gain on debt extinguishment *(v)*	(22)	—	—	19
Impairment of convertible bond from related party *(vi)*	(11)	—	—	—
Foreign exchange loss *(vii)*	(11)	(4)	—	(65)
Loss on marketable securities *(viii)*	(46)	(64)	(3)	—
Other financial items *(ix)*	(4)	(3)	—	(44)
Other income and expense	**(479)**	**(152)**	**161**	**(686)**

i. Interest Income

Interest income relates to interest earned on cash deposits and other financial assets. During the period we were in Chapter 11 (September 12, 2017 to July 1, 2018), we classified interest income on cash held by filed entities within reorganization items. This totaled $6 million in the 2018 Predecessor period and $4 million for the year ended 2017.

ii. Share of results in associated companies

Share of results in associated companies represents our share of earnings or losses in our investments accounted under the equity method. We reduced the carrying value of our equity method investments when we applied fresh start accounting on emergence from Chapter 11. This led to the recognition of basis differences between the book value of the drilling unit or pipe laying service vessel and contract intangible balances recorded in the balance sheets of our equity method investees and the implied value of those assets reflected in the equity method investments recorded in our Consolidated Balance Sheet. We unwind these basis differences over the lives of the associated assets and liabilities when calculating our share of results of the equity method investments. Therefore, the share of results in associated companies for the 2018 Successor period is not comparable to the share of results in associated companies recorded in the Predecessor company.

We have analyzed our share of results in associated companies by equity method investment below:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Seadrill Partners	(124)	(102)	99	104
Seamex	(19)	(12)	4	—
Sonadrill	(1)	—	—	—
Seabras Sapura	29	24	46	80
Archer	—	—	—	(10)
Share of results from associated companies	**(115)**	**(90)**	**149**	**174**

The share of results from associated companies for the year ended 2019 reflects a share in after-tax profits of our investments in Seabras Sapura joint venture offset by a share of losses in our investments in Seadrill Partners, SeaMex and Sonadrill. This includes a net expense for the unwind of basis differences of $71 million. The results of Seadrill Partners included an income tax benefit of $36 million, which was primarily due to the release of an uncertain tax position related to US tax reform.

The share in after tax loss of associated companies for the 2018 Successor period reflects a share in after-tax profits of our investments in Seabras Sapura joint venture offset by a share of losses in our investments in Seadrill Partners and SeaMex. This includes a net expense for the unwind of basis differences of $57 million. The results of Seadrill Partners included an income tax expense of $87 million, which was primarily due to an uncertain tax position related to US tax reform.

The share in after-tax profit for 2018 Predecessor period reflected our share of the after-tax profit of each of our equity method investments. Our share in the after-tax profit of Seadrill Partners included the benefit of a litigation ruling in the favor of Seadrill Partners. Seadrill Partners recorded net income totaling approximately $220 million in June 2018 for this ruling.

The share of results from associated companies for the year ended 2017 reflected our share of the net income from Seadrill Partners, and Seabras Sapura, offset by our share of the loss of Archer. From April 2017 onwards, we reclassified our investment in Archer from an equity method investment to an investment in marketable security. Please see Note 15 of the enclosed financial statements for further details on this transaction.

iii. Impairment of investments

On September 6, 2019, Seadrill Partners announced its suspension from trading on the NYSE. This was considered an other than temporary impairment indicator which led to an impairment review being performed in respect of the Seadrill investment in Seadrill Partners. The result of this exercise was a total impairment charge of $302 million across the investments we hold in Seadrill Partners.

As at December 31, 2017, the carrying value of the Seadrill Partners subordinated units was found to exceed the fair value by $82 million, and the carrying value of the direct ownership interests in Seadrill Partners was found to exceed the fair value by $723 million. Additionally, the carrying value of the investment in SeaMex was found to exceed the fair value by $36 million. The fair value was derived using a discounted cash flow model. We recorded these impairments within “Loss on impairment of investments” in the Consolidated Statement of Operations.

iv. (Loss)/ gain on derivative financial instruments

On May 11, 2018, we bought an interest rate cap from Citigroup for $68 million. The interest rate cap mitigates our exposure to future increases in LIBOR over 2.87% from our floating bank debt. We also have a conversion option on a bond issued to us by Archer Limited (Refer to vi.). We record both of these assets at fair value.

The loss on derivatives in the year ended 2019 of $37 million comprised a fair value loss on our interest rate cap derivatives due to a decrease in forward interest rates.

The loss on derivatives in the 2018 Successor period of $31 million comprised a fair value loss of $22 million on our interest rate cap derivatives and a $9 million fair value loss on the conversion option associated with a convertible bond we hold in Archer. The fair value loss on the interest rate cap was caused by a decrease in forward interest rates. The fair value loss on the Archer conversion option was caused by a decrease in Archer's share price.

The loss on derivatives in the 2018 Predecessor period of $4 million comprised a fair value loss of $6 million on our interest rate cap derivatives offset by a $2 million fair value gain on the conversation option on the Archer convertible bond.

The gain on derivatives in the year ended 2017 of $11 million related to net gains on the interest rate swap and cross currency swap agreements that we previously used to mitigate exposures to interest rate risk and foreign exchange risk on our debt prior to filing for Chapter 11.

v. Net loss/ gain on debt extinguishment

On April 10, 2019, we repurchased $311 million of the Senior Secured Notes issued on emergence at a 7% premium. The premium paid was recognized as a loss on debt extinguishment.

On April 26, 2017, we converted $146 million, including accrued interest and fees, in subordinated loans provided to Archer into a $45 million subordinated convertible bond. We recognized a gain on debt extinguishment equal to the difference between the fair value of the convertible loan we received and the previous carrying value of the loan, accrued interest and fees that were extinguished. This was a gain of $19 million.

vi. Impairment of convertible bond from related party

At December 2019, we re-assessed the fair value of the convertible bond issued to us by Archer, who were in the process of refinancing their debt facilities. For the purposes of the valuation, we assumed that the maturity date of the bond would be pushed out to 2024, as we anticipated this would be required in order for Archer to refinance their bank borrowings to which the Seadrill bond is subordinate. The extension of the maturity date on the bond led to a significant decrease in the bond’s fair value, which resulted in an other-than-temporary impairment against our investment in the bond.

vii. Foreign exchange loss

Foreign exchange gains and losses relate to exchange differences on the settlement or revaluation of monetary balances denominated in currencies other than the US Dollar. Prior to filing for Chapter 11 on September 12, 2017, our foreign exchange exposure was primarily driven by NOK and SEK denominated unsecured bonds. These bonds were no longer revalued after we filed for Chapter 11 and were extinguished through the Chapter 11 restructuring.

In May 2019, we placed a total of 330 million Brazilian Reais of collateral with BTG bank under a letter of credit arrangement, which generated $3 million foreign exchange loss in the year ended 2019.

viii. Loss on marketable securities

The loss on marketable securities in the year ended 2019, the 2018 Successor and 2018 Predecessor periods reflect the changes in mark to market movements in our investments in Seadrill Partners common units and our Archer shares.

We did not record a gain or loss on our investments in marketable securities, within income and expense, for the year-ended 2017. This was because, for all periods before we adopted ASU 2016-10 on January 1, 2018, we recorded fair value gains and losses on marketable securities in other comprehensive income until they were realized.

ix. Other financial items

Other financial items for the year ended 2017 primarily comprised pre-petition professional and advisory fees related to our reorganization (after filing for Chapter 11 we classified such costs as reorganization items - see section 5 above).

7) Income tax expense

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities related to our ownership and operation of drilling units and may vary significantly depending on jurisdictions and contractual arrangements. In most cases the calculation of taxes is based on net income or deemed income, the latter generally being a function of gross revenue.

B. LIQUIDITY AND CAPITAL RESOURCES

1) Introduction

We operate in a capital-intensive industry. We have historically funded acquisitions of drilling units and investments in associated companies through a combination of debt and equity issuances and from cash generated from operations. Although we restructured our debt through the Chapter 11 Reorganization we remain a highly leveraged company with outstanding borrowings on our external debt facilities totaling $6,759 million, which will start to mature in 2022 and $314 million under loan agreements with related parties as of December 31, 2019.

Our liquidity requirements relate to servicing and repaying our debt, making capital investments, funding working capital requirements and maintaining adequate cash reserves to mitigate the effects of fluctuations in operating cash flows. Most of our contract and other revenues are received between 30 and 60 days in arrears, and most of our operating costs are paid monthly. We have historically relied on our cash generated from operations to meet our short-term liquidity needs. We believe our current resources, available cash and cash from operations will be sufficient to meet our working capital requirements and other obligations as they fall due for at least the next twelve months following the date of this report.

Our debt agreements contain cross-default provisions (or, in certain instances, cross-acceleration provisions), meaning that if we are in default under one of our debt agreements, amounts outstanding under our other debt agreements may also be in default, accelerated and become due and payable. In addition, we have provided guarantees over certain debt facilities of our affiliates and related companies, and the lenders under such facilities could look to us to meet such liabilities if such affiliates and related companies are unable to meet their obligations. If any of these events occur, we may not be able to satisfy our obligations and our ability to continue our operations or generate any cash flow in the future could be impaired.

Since the fourth quarter of 2019, we have been engaged in discussions with our secured lenders regarding potential amendments to our credit facilities to provide operational flexibility and additional near-term liquidity by, among other things, converting certain interest payments under our credit facilities to payment-in-kind (“**PIK**”) interest and deferring certain scheduled amortization payments (or increasing the aggregate amount of such payments that may be converted to loans payable at the final scheduled maturity date of the relevant facility pursuant to the amortization conversion election provisions contained in the facility agreements). Our debt service is anticipated to be primarily comprised of interest through at least Q1 2021 because our facility agreements contain certain provisions that allow us to elect to defer and convert up to $500 million in the aggregate of scheduled amortization payments under certain of our credit facilities. We have already elected to use a portion of this capacity with respect to the first scheduled amortization installments under our credit facilities occurring in Q1 2020. We intend to continue exercising this option for each subsequent scheduled amortization payment date until such capacity is fully utilized; however, we cannot guarantee that we will be able to satisfy the conditions set forth in the facility agreements in order to be able to do so. We have also requested that our lenders consent to an extension of the periods before which we are required to comply with the net leverage and debt service coverage financial covenants in our facility agreements because we currently anticipate that we will not be able to meet these requirements when such covenants begin to be tested at the end of Q1 2021. We have also forecasted that we will not be able to meet the requirements under our ongoing liquidity financial covenant contained in the facility agreements during certain periods occurring after the twelve-month period following the date of this report. If our amendment requests for certain liquidity enhancing measures are not successful, including with respect to the conversion of certain interest payments to PIK and the deferral of certain scheduled amortization payments then there is an increased risk that we will breach these liquidly requirements sooner than currently anticipated after such twelve-month period following the date of this report. Failure to comply with such liquidity requirements could result in a default under the terms of our facility agreements if we are unable to obtain a waiver or amendment from our lenders for such non-compliance.

Although lender discussions are well advanced and significant progress has been made, until such time as an agreement is reached, uncertainty remains and therefore we are also preparing certain contingency plans. The Company's business operations remain unaffected by these amendment negotiations and related contingency planning efforts, and the Company expects to meet its ongoing customer and business counterparty obligations as they become due.

Our funding and treasury activities are conducted in accordance with our corporate policies, which aim to maximize returns while maintaining appropriate liquidity for our operating requirements. Cash and cash equivalents are held mainly in U.S. dollars, with lesser amounts held in Norwegian Kroner, Brazilian Reais and Great British Pounds.

This section discusses the most important factors affecting our liquidity and capital resources.

2) Liquidity

Our level of liquidity fluctuates depending on a number of factors. These include, among others, our contract backlog, economic utilization achieved, timing of accounts receivable collection, timing of payments for operating costs and other obligations. Our liquidity comprises cash and cash equivalents. The below tables show cash and restricted cash balances for each period presented.

	Successor		Predecessor
(In $ millions)	**As at December 31, 2019**	**As at December 31, 2018**	**As at July 1, 2018**
Unrestricted cash	1,115	1,542	1,599
Restricted cash	242	461	578
Cash and cash equivalents, including restricted	**1,357**	**2,003**	**2,177**

We have shown our sources and uses of cash by category of cash flow in the below table.

(In $ millions)	Successor Year ended December 31, 2019	Successor Period from July 2, 2018 through December 31, 2018	Predecessor Period from January 1, 2018 through July 1, 2018
Cash flows from operating activities *(a)*	(256)	(26)	(213)
Cash flows from investing activities *(b)*	(26)	61	149
Cash flows from financing activities *(c)*	(367)	(208)	887
Effect of exchange rate changes in cash and cash equivalents	3	(1)	(5)
Change in period	**(646)**	**(174)**	**818**

This reconciles to the total cash and cash equivalents, including restricted, which is as follows:

(In $ millions)	Successor Year ended December 31, 2019	Successor Period from July 2, 2018 through December 31, 2018	Predecessor Period from January 1, 2018 through July 1, 2018
Opening cash and cash equivalents, included restricted	2,003	2,177	1,359
Change in period	(646)	(174)	818
Closing cash and cash equivalents, included restricted	**1,357**	**2,003**	**2,177**

a) Cash flows from operating activities

Cash flows from operating activities include cash receipts from customers, cash paid to employees and suppliers (except for capital expenditure), interest and dividends received (except for returns of capital), interest paid, income taxes paid and other operating cash payments and receipts.

We calculate cash flows from operating activities using the indirect method as summarized in the below table.

(In $ millions)	Successor Year ended December 31, 2019	Successor Period from July 2, 2018 through December 31, 2018	Predecessor Period from January 1, 2018 through July 1, 2018
Net loss	(1,222)	(605)	(3,885)
Adjustments to reconcile net loss to net cash provided by operating activities [1]	1,070	477	3,808
Net loss after adjustments	**(152)**	**(128)**	**(77)**
Payments for long-term maintenance	(114)	(71)	(78)
Distributions received from associated companies	11	32	17
Settlement of payment-in-kind interest on Senior Secured Notes	(39)	—	—
Changes in operating assets and liabilities	38	141	(75)
Cash flows from operating activities	**(256)**	**(26)**	**(213)**

(1) Includes depreciation, amortization, share of results of joint ventures and associates, impairment of investments, unrealized gains and losses on derivatives, unrealized gains and losses on marketable securities, deferred tax expense and other non-cash items shown under the sub-heading "adjustments to reconcile net loss to net cash provided by operating activities" in the Consolidated Statements of Cash Flows presented in the Consolidated Financial Statements included in this report.

Market conditions in the offshore drilling industry in recent years have led to materially lower levels of spending for offshore exploration and development. This has negatively affected our revenues, profitability and operating cash flows. During year ended December 31, 2019, the 2018 Successor period and the 2018 Predecessor period, our cash flows from operating activities were negative, as cash receipts from customers were insufficient to cover operating costs, payments for long-term maintenance of our rigs, interest payments and tax payments.

b) Cash flows from investing activities

Cash flows from investing activities include purchases and sales of newbuildings, drilling units and equipment, investments in non-consolidated entities and cash receipts from loans granted to related parties.

Net cash flows from investing activities for the year ended 2019 were primarily generated by capital expenditures and a capital contribution into the Sonadrill joint venture. This is offset by contingent consideration payments from Seadrill Partners and loan repayments received from our joint venture, Seabras Sapura.

Net cash flows from investing activities for the 2018 Successor period were primarily generated by loan repayments from our joint venture Seabras Sapura, contingent consideration payments from Sapura Energy from the sale of our Tender Rig business in 2014, and contingent consideration payments from Seadrill Partners from sale of the drillship *West Vela* in 2015. These cash inflows were partly offset by capital expenditures.

Net cash flows from investing activities for the 2018 Predecessor period were driven by our share of proceeds from the sale of the *West Rigel,* contingent consideration payments from Seadrill Partners from the sale of the drillship *West Vela* and *West Polaris* in 2015, and related party loan repayments from Seadrill Partners. These cash inflows were partly offset by capital expenditures.

c) Cash flows from financing activities

Cash flows from financing activities include proceeds from the issuance of new equity, proceeds from issuing debt and repayments of debt and payment of debt issuance costs.

Net cash flows from financing activities for the year ended 2019 and the 2018 Successor period were driven by redemptions of Senior Secured Notes and debt repayments within our Ship Finance VIEs.

Net cash flows from financing activities for the 2018 Predecessor period were mainly driven by proceeds from issue of Senior Secured Notes and new equity on emergence from Chapter 11, offset by repayments of debt contained within our Ship Finance VIEs and debt fees paid on our senior credit facilities.

3) Information on our borrowings

As at December 31, 2019, we had total outstanding borrowings under our external debt facilities of $6,759 million. This included senior secured credit facility debt of $5,662 million, borrowings on our Senior Secured Notes of $476 million and debt held by consolidated variable interest entities of approximately $621 million. In addition to our external debt facilities, we had interest bearing debt of $314 million under loan agreements with related parties.

Our credit facilities, which will start to mature in 2022, amortize over a period, with a balloon payment at maturity. Our credit facilities are secured by, among other things, liens on our drilling units. Our credit facility agreements contain cross-default provisions, meaning that if we defaulted and amounts became due and payable under one of our credit agreements, this would trigger a cross-default in our other facilities so that amounts outstanding under our other credit facility agreements become due and payable and capable of being accelerated.

The Senior Secured Notes are secured by, among other things, our investments in Seadrill Partners, SeaMex, Seabras Sapura and Archer.

Please refer to Note 22 – "Debt" in the Consolidated Financial Statements included in this report for additional information on our debt facilities as of December 31, 2019.

4) Capital commitments

We expect to incur capital expenditures for purchases in the ordinary course of business.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We recognize the significant impact that technology is having on our industry and through adopting new technological advances, improving connectivity and digitizing the way we operate, we have enhanced visibility over monitoring and managing our assets. Innovation remains at the center of our strategy. For instance, research and development has enabled us to implement PLATO, an advanced data analytics platform that monitors rig performance. The ability to draw insight from these large data sets help us to optimize our drilling performance for customers and ensure care and maintenance of our equipment, without compromising on safety.

D. TREND INFORMATION

The below table show the average oil price over the period 2015 to 2019. The Brent oil price at February 29, 2020 was $51.

	2015	2016	2017	2018	2019
Average Brent oil price ($/bbl)	54	45	55	71	64

Although we saw a stabilization in the oil and gas market in 2019, recent developments have created significant uncertainty on the industry's trajectory for 2020. The global impacts surrounding the COVID-19 outbreak are rapidly evolving and increasingly dynamic. In addition, recent actions by certain members of OPEC and its partners have resulted in a substantial decline in the price of Brent oil, with a low of $22 per barrel on March 30, 2020. We expect this volatility to continue and if the price of oil declines further and/or remains at a low price for an extended period there could be a material adverse effect on our business, financial condition, and results of operations.

The below table shows the global number of rigs on contract and marketed utilization at December 31, 2019 and for each of the four preceding years.

	2015	2016	2017	2018	2019
Contracted rigs					
Harsh environment floater	45	35	30	31	35
Benign environment floater	196	139	120	116	119
Jack-up [1]	180	152	154	168	204
Marketed utilization					
Harsh environment floater	93%	81%	83%	85%	87%
Benign environment floater	83%	71%	71%	73%	77%
Jack-up [1]	83%	70%	70%	74%	86%

[1] Jack-up rigs with water depth greater than 350 feet.

Floater
During 2019 there was an increase in the number of opportunities for floaters and net floater supply continued to decline which improved utilization. Whilst we saw an overall improvement to marketed utilization, the subs-segments continued to recover at varying rates. The harsh environment trended ahead due to high demand for high specification units relative to their supply. There was still excess supply of benign environment units which slowed the recovery in this market. However, we saw pockets of strength for high-end ultra deepwater drillships with marketed utilization trending ahead in this sub-segment.

Jack-up
There were positive trends in the jack-up market with utilization and dayrates improving. The market preference for premium units continued, resulting in a bifurcation of rates and utilization for these assets. The demand and rates for premium assets led to newbuild units entering the market. As newer rigs with high specifications enter the jack-up market, this will lead to the accelerated attrition of older units.

E. OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as at December 31, 2019 or 2018.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

At December 31, 2019, we had the following contractual obligations and commitments:

	Payment due by period Year Ended December 31,				
(In $ millions)	**2020**	**2021 - 2022**	**2023 - 2024**	**Thereafter**	**Total**
Interest-bearing debt [(1) (2) (3)]	343	1,553	4,387	476	**6,759**
Related party interest-bearing debt	—	—	—	314	**314**
Total debt repayments	**343**	**1,553**	**4,387**	**790**	**7,073**
Pension obligations [(4)]	4	4	5	13	**26**
Operating lease obligations	17	25	2	1	**45**
Total contractual obligations	**364**	**1,582**	**4,394**	**804**	**7,144**

(1) Debt principal repayments, excluding cash and payment-in-kind interest.

(2) The above table assumes that we will make amortization payments on our secured credit facilities from June 2020. Per the terms of our senior secured credit facilities, we can elect to defer up to $500m of such amortization payments until 2021 through the initiation of new loans. In December 2019, we made the election to defer $63 million of balances that would have otherwise have fallen due in March 2020. This leaves a remaining $437 million to be deferred in future periods. If we defer the remaining balance then the amounts due in 2020 will reduce to $48 million and the amounts due in 2021 will reduce to $1,412 million.

(3) Our secured credit facilities are subject to a minimum liquidity requirement for the Group, which is measured at RigCo Group level. If breached, this would cause our debt obligations to become due prior to their contractual maturities. Refer to Note 22 - "Debt" of our Consolidated Financial Statements included herein for further information.

(4) Pension obligations are the forecasted employer's contributions to our defined benefit plans, expected to be made over the next ten years.

As of December 31, 2019 (Successor), $83 million, including penalties and interest, would have a favorable impact to the Company's effective tax rate if recognized.

Please refer to Note 34 - "Commitments and contingencies" of our Consolidated Financial Statements included herein for further information.

G. CRITICAL ACCOUNTING ESTIMATES

The preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures about contingent assets and liabilities. We base these estimates and assumptions on historical experience, available information and assumptions that we believe to be reasonable. Our critical accounting estimates are important factors to our financial condition and results of operations, and require us to make subjective or complex assumptions or judgments about matters that are uncertain. We believe that the following are the critical accounting estimates used in the preparation of our Consolidated Financial Statements. In addition, there are other items in our Consolidated Financial Statements that require estimation. Our significant accounting policies are discussed in Note 2 - "Accounting Policies" and Note 5 – "Fresh Start Accounting" to our Consolidated Financial Statements included herein.

1) Drilling Units

Generally, the carrying amount of our drilling units including rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. However, drilling units acquired through a business combination or remeasured through the application of fresh start accounting are measured at fair value as of the date of acquisition or the date of emergence, respectively. Our drilling units are subject to various estimates, assumptions, and judgments related to capitalized costs, useful lives and residual values, and impairments.

Our estimates, assumptions, and judgments reflect both historical experience and expectations regarding future operations, utilization and performance. At December 31, 2019 (Successor) and December 31, 2018 (Successor), the carrying amount of our drilling units was $6 billion and $7 billion, representing 69% and 61% of our total assets, respectively.

a) Useful lives and residual value

The cost of our drilling units less estimated residual value is depreciated on a straight-line basis over their estimated remaining useful lives. The estimated useful life of our semi-submersible drilling rigs, drillships and jack-up rigs, when new, is 30 years.

The useful lives of rigs and related equipment are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. We re-evaluate the remaining useful lives of our drilling units as and when events occur which may directly impact our assessment of their remaining useful lives. This includes changes in the operating condition or functional capability of our rigs as well as market and economic factors. The use of different estimates, assumptions and judgments in establishing estimated useful lives and residual values could result in significantly different carrying values for our drilling units which could materially affect our results of operations.

b) Impairment considerations

The carrying values of our long-lived assets are reviewed for impairment when certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management’s assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in significantly different carrying values of our assets and could materially affect our results of operations. An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount is not recoverable.

With regard to our older drilling units which have relatively short remaining estimated useful lives, the results of impairment tests are particularly sensitive to management’s assumptions. These assumptions include the likelihood of the unit obtaining a contract upon the expiration of any current contract, and our intention for the drilling unit should no contract be obtained, including warm/cold stacking or scrapping. The use of different assumptions in the future could potentially result in an impairment of older drilling units, which could materially affect our results of operations. If market supply and demand conditions in the ultra-deepwater offshore drilling sector do not improve it is likely that we will be required to impair certain drilling units.

c) Impairment recognized in the 2018 Predecessor period

In the 2018 Predecessor period, we determined that the continuing downturn in the offshore drilling market was an indicator of impairment on certain assets. Following an assessment of recoverability, we recorded an impairment charge of $414 million against three non-modern drilling rigs.

During the year ended December 31, 2019, the 2018 Successor period and the year ended December 31, 2017 we identified indicators that the carrying value of our drilling units may not be recoverable. We assessed recoverability of our drilling units by first evaluating the estimated undiscounted future net cash flows based on projected dayrates and utilizations of the units. The estimated undiscounted future net cash flows were found to be greater than the carrying value of our drilling units. As a result, we did not need to proceed to assess the discounted cash flows of our drilling units, and no impairment charges were recorded.

In the year ended 2017, as part of the Chapter 11 re-organization, we terminated the newbuild contracts for the drillships *West Draco, West Dorado, West Aquila and West Libra* and the shipyards, Samsung and DSME, received an allowed claim. As a result, we recorded a $696 million non-cash impairment charge against the newbuild assets for these rigs.

2) Fair Value of Archer Convertible Bond

At each reporting period, we record the Archer bond at fair value in Seadrill's balance sheet, with any gains or losses being recorded in OCI. At fresh start, the value of the bond was $46 million and at December 2018 the value was $43 million. At December 2019, we re-assessed the fair value of the convertible bond issued to us by Archer, who were in the process of refinancing their debt facilities. For the purposes of the valuation, we assumed that the maturity date of the bond would be pushed out to 2024, as we anticipated this would be required in order for Archer to refinance their bank borrowings to which the Seadrill bond is subordinate. The extension of the maturity date on the bond led to a significant decrease in the bond's fair value, which resulted in an other-than-temporary impairment of $11 million.

3) Impairment of investments in Seadrill Partners

Seadrill Partners is an international offshore drilling contractor formed in 2012. It has a fleet of 11 drilling units. This comprises 4 drillships, 4 semi-submersible rigs and 3 tender rigs. All the rigs were acquired from Seadrill between 2012 to 2015. Seadrill is responsible for managing, marketing and operating the rigs and charges SDLP a management fee for these services.

Seadrill Partners has issued 3 categories of equity instrument. This includes two classes of stock ("common units" and "subordinated units") and incentive distribution rights ("IDRs"). The holders of these equity instruments have varying rights to receive distributions from Seadrill Partners. The common units and subordinated units have equal rights to distributed profits, subject to the common units being entitled to a minimum quarterly distribution before the subordinated units may receive a dividend. The holders of the IDRs do not receive a share of the Seadrill Partners distributions until a target distribution level has been achieved. The IDRs receive an increasing share of the distribution once this has been met.

As set out in Note 18 to the accompanying financial statements, we have several investments in Seadrill Partners. These include (i) 100% of the subordinated units (1.6 million units); (ii) 35% of the common units (2.5 million out of 7.5 million total units) and (iii) 100% of the incentive distribution rights. In addition, we have investments in the common stock of 4 operating companies ("OPCOs") controlled by Seadrill Partners. This includes (i) 42% interest in Seadrill Operating LLP which wholly owns 4 rigs and has a 56% interest in 1 rig; (ii) 49% interest in Seadrill Capricorn LLC which wholly owns 4 rigs and (iii) 39% interest in Seadrill Deepwater Drillship Ltd and 49% interest in Seadrill Mobile Units Ltd which, together, own a 44% interest in 1 rig.

We account for our investment in (i) the subordinated units and (ii) direct investments in Seadrill Partners OPCOs under the equity method. These investments were recorded at fair value when we applied fresh start accounting on July 2, 2018. Each reporting period, we (i) increase (or decrease) the value of these investments for our share of the after-tax profits (or losses) of the entities and (ii) amortize basis differences recorded against the investments on fresh start.

Seadrill Partners common units do not meet the definition of common stock under US GAAP as they are not the lowest class of stock (because they have an additional right to dividends compared to the subordinated units). The incentive distribution rights do not meet the definition of stock. Therefore, neither category of investment is accounted for under the equity method. The common units have a readily ascertainable fair value and are therefore recorded at fair value with gains or losses taken to the Consolidated Statement of Operations. The IDRs do not have a readily ascertainable fair value and are recorded at cost less impairment. The cost of the IDRs represented the fair value of the instruments when we applied fresh start accounting on July 2, 2018.

a) Impairment considerations

Each reporting period, we are required to consider (i) whether there have been any indicators of 'other than temporary impairment' ("OTTI") of our equity method investments (subordinated units and direct interests) and (ii) whether there has been an impairment of the IDRs. We record an impairment charge for other-than-temporary declines in fair value when the fair value is not anticipated to recover above the carrying value within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required.

b) Impairment recognized in the year ended December 31, 2019

Seadrill Partners primary debt finance comes from a $2.6 billion Term Loan B ("TLB") which comes due for repayment in February 2021 and will need to be refinanced. There has been a decrease in the share price of Seadrill Partners common units since November 2018 which culminated in the common units being suspended from trading on NYSE in September 2019 as the market capitalization decreased below $15 million for a period of 30 consecutive days. We have interpreted this decrease in share price as both (i) an indicator of OTTI for the subordinated units and direct interests and (ii) an impairment indicator for the IDRs. The evaluation of whether a decline in fair value is "other than temporary" requires a high degree of judgment and the use of different assumptions that could materially affect our earnings.

Having identified an indicator of OTTI, we were required to value our investments in Seadrill Partners to calculate the impairment at September 30, 2019. We calculated the fair value of our investments in Seadrill Partners direct interests and IDRs to be $134 million and nil, compared to pre-impairment book values of $382 million and $54 million respectively. As a result, we recorded an impairment charge of $302 million. We have recognized the impairment of these investments within "Loss on impairment of investments" in our Consolidated Statement of Operations for the year ended December 31, 2019.

We have summarized the carrying value of our investments before and after this impairment review in the below table.

Investment	Basis	September 30, 2019 Post-impairment	September 30, 2019 Before-impairment	As at December 31, 2018	As at July 2, 2018
Seadrill Partners subsidiaries - Subordinated units	Equity method	—	—	17	37
Seadrill Partners subsidiaries - Common units	Fair value	2	2	45	91
Seadrill Partners subsidiaries - IDRs	Cost less impairment	—	54	54	54
Seadrill Partners - Direct ownership interests	Equity method	134	382	479	575
Total carrying value of our investments		**136**	**438**	**595**	**757**

We valued our investments in the direct interests using an income approach which discounted future free cashflows ("DCF model"). The cash flows were estimated over the remaining useful economic lives of the underlying assets, but no longer than 30 years in total, and discounted using an estimated market participant weighted average cost of capital of between 11.25-12.25%.

The DCF model derived an enterprise value of the OPCOs, after which associated debt was subtracted to provide equity values. Our DCF model considered a range of scenarios to reflect different potential refinancing outcomes for Seadrill Partners. The key assumptions used in the DCF were derived from significant unobservable inputs based on our best judgments and assumptions available at the time of performing the impairment test.

The underlying assumptions used to model future rig cashflows used a methodology that examined historical data for each rig, considering the rig's age, rated water depth and other attributes and then assessed its future marketability considering the current and projected market environment at the time of assessment.

Other assumptions, such as operating, maintenance and inspection costs, were estimated using historical data adjusted for known developments and future events that are anticipated by management at the time of the assessment. The probability applied to each scenario was set with reference to the traded price of the TLB at September 30, 2019.

These assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported. Our assumptions involve uncertainties about future demand for our services, dayrates, expenses and other market based future events, and expectations may not be indicative of future outcomes. If actual events differ from these estimates, or to the extent that these estimates are adjusted in the future, our financial condition and results of operations could be affected in the period of any such change of estimate.

We valued our investments in the direct interests using an option pricing model. The assumptions used in the model were derived from both observable and unobservable inputs and are based on management's judgments and assumptions available at the time of performing the impairment test. The method values different tranches in the capital structure in sequence of seniority. We employ significant judgment in developing these estimates and assumptions.

c) Impairment recognized in the year ended December 31, 2017

During 2017, the deteriorating market conditions in the oil and gas industry, as well as the supply and demand conditions in the industry we operate, were indicators of impairment for our investments in Seadrill Partners. We have determined the length and severity of the deterioration of market conditions to be representative of an "other than temporary" impairment. We have recognized an impairment of $805 million against these investments within "Loss on impairment of investments" in our Consolidated Statement of Operations for the year ended December 31, 2017.

We derived the fair value using an income approach which discounts future free cash flows, or the 'DCF' model. The cash flows are estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total and discounted using a 9.75% estimated market participant weighted average cost of capital.

The DCF model derived an enterprise value of the investments, after which associated debt was subtracted to provide equity values. The assumptions used in the DCF model were derived from significant unobservable inputs (representative of Level 3 inputs for Fair Value Measurement) and are based on management's best judgments and assumptions available at the time of performing the impairment test. The underlying assumptions and assigned probabilities of occurrence for utilization and dayrate scenarios were developed using a methodology that examines historical data for each rig, which considers the rig's age, rated water depth and other attributes and then assesses its future marketability considering the current and projected market environment at the time of assessment. Other assumptions, such as operating, maintenance and inspection costs, are estimated using historical data adjusted for known developments and future events that are anticipated by management at the time of the assessment.

Management's assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported. Management's assumptions involve uncertainties about future demand for our services, dayrates, expenses and other future events, and management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially alter our analysis in testing an asset for potential impairment.

To assess the investments accounted for using the cost method for impairment, the fair value was determined using a Monte Carlo simulation method, or the Monte Carlo Model. The assumptions used in the Monte Carlo Model were derived from both observable and unobservable inputs and are based on management's judgments and assumptions available at the time of performing the impairment test. The method considers the cash distribution waterfall, historical volatility, estimated dividend yield and the share price of the common units. We employ significant judgment in developing these estimates and assumptions.

4) Impairment of Investments in SeaMex

SeaMex is a joint venture that owns and operates five jack-up drilling units located in Mexico under contract with Pemex.

a) Impairment considerations

Each reporting period, we are required to consider whether there have been any indicators of 'other than temporary impairment' ("OTTI") of our equity method investment. We record an impairment charge for other-than-temporary declines in fair value when the fair value is not anticipated to recover above the carrying value within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required.

b) *Impairment recognized in the year ended December 31, 2017*

During 2017, the deteriorating market conditions in the oil and gas industry, as well as the supply and demand conditions in the industry we operate, were indicators of impairment for our investment in SeaMex. We have determined the length and severity of the deterioration of market conditions to be representative of an "other than temporary" impairment. We have recognized an impairment of $36 million against our investment within "Loss on impairment of investments" in our Consolidated Statement of Operations for the year ended December 31, 2017.

We derived the fair value using an income approach which discounts future free cash flows, or the 'DCF' model. The cash flows are estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total and discounted using a 10.25% estimated market participant weighted average cost of capital.

The DCF model derived an enterprise value of the investments, after which associated debt was subtracted to provide equity values. The assumptions used in the DCF model were derived from significant unobservable inputs (representative of Level 3 inputs for Fair Value Measurement) and are based on management's best judgments and assumptions available at the time of performing the impairment test. The underlying assumptions and assigned probabilities of occurrence for utilization and dayrate scenarios were developed using a methodology that examines historical data for each rig, which considers the rig's age, rated water depth and other attributes and then assesses its future marketability considering the current and projected market environment at the time of assessment. Other assumptions, such as operating, maintenance and inspection costs, are estimated using historical data adjusted for known developments and future events that are anticipated by management at the time of the assessment.

Management's assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported. Management's assumptions involve uncertainties about future demand for our services, dayrates, expenses and other future events, and management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially alter our analysis in testing an asset for potential impairment.

5) Redeemable non-controlling interests

Subsequent to filing bankruptcy petitions, the Predecessor executed a Transaction Support Agreement ("TSA") on April 4, 2018 with a minority shareholder of one of our subsidiaries, Asia Offshore Drilling Limited ("AOD"). The purpose of the TSA was to provide a framework for a monetization event for the minority shareholder of AOD as well as obtain unanimous approval of the AOD board of directors (which included the minority shareholder) in order for AOD to become a party to the TSA and participate in the Predecessor's broader debt restructuring under its Chapter 11 reorganization. The TSA executed between the parties provides an option to the holders of non-controlling interest shares to sell the shares it owns to Seadrill Limited subject to a price ceiling ("Put Option"). After the end of the effective period of the Put Option, if the right remains unexercised, Seadrill Limited has the option to purchase the non-controlling interest in AOD at a price subject to the floor price ("Call Option"). The Put Option generates a redemption feature for the non-controlling interest holder that is outside the control of Seadrill Limited.

To calculate the fair value of the non-controlling interest shares, we estimated the fair value of AOD in total and then allocated this between the shares held by us and by those held by the non-controlling interest. We estimated the fair values of AOD in total by adjusting the Consolidated Balance Sheet position of AOD as at each reporting period for an updated fair value of the three drilling units: *AOD I, AOD II* and *AOD III*.

We derived the fair value of the three drilling units using a DCF discounted using a weighted average cost of capital of 11% (2018: 11%) and derived the fair value of the external debt facilities with a DCF using a weighted average cost of debt of 6% (2018: 6%).

6) Income Taxes

Seadrill is a Bermuda company that has a number of subsidiaries and affiliates in various jurisdictions. We are not currently required to pay income taxes in Bermuda on ordinary income or capital gains because we qualify as an exempt company. We have received written assurance from the Minister of Finance in Bermuda that we will be exempt from taxation until March 2035. Certain of our subsidiaries operate in other jurisdictions where income taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. Our income tax expense is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. We provide for income taxes based on the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates and methods of computing taxable income vary substantially between jurisdictions. Our income tax expense is expected to fluctuate from year to year because our operations are conducted in different tax jurisdictions and the amount of pre-tax income fluctuations.

The determination and evaluation of our annual group income tax provision involves the interpretation of tax laws in the various jurisdictions in which we operate and requires significant judgment and the use of estimates and assumptions regarding significant future events, such as amounts, timing and the character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognize tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authorities widely understood administrative practices and precedence. Changes in tax laws (such as the recent US tax reform), regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year.

While our annual tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current year, withholding taxes, changes in prior year tax estimates as tax returns are filed or from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as at the valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities or valuation allowances. In addition, our uncertain tax positions are estimated and presented within other current liabilities, other liabilities, and as reductions to our deferred tax assets within our Consolidated Balance Sheets. Refer to Note 12 – "Taxation" to our Consolidated Financial Statements included herein for further information.

H. SAFE HARBOR

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as “forward-looking statements.” We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see “Cautionary Statement Regarding Forward-Looking Statements” in this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

1) Board of Directors

The Board of Directors consists of seven individuals. The names and positions of the Directors as of February 29, 2020 are set out in the table below.

Name	Position
Birgitte Ringstad Vartdal	Director
Birgit Aagaard-Svendsen	Director
Glen Ole Rødland	Director and Chairman of the Board
Gunnar Winther Eliassen	Director
Herman R. Flinder	Director
Kjell-Erik Østdahl	Director
Peter J. Sharpe	Director

Certain biographical information about each of our directors is set forth below.

Birgitte R. Vartdal serves as an independent director appointed by Hemen. Ms. Vartdal served as Chief Executive Officer of Golden Ocean Management AS from May 2016 to November 2019 and previously served as Chief Financial Officer of Golden Ocean from June 2010 to April 2016. Ms. Vartdal currently serves on the board of Mowi ASA and as a member of the corporate assembly of Equinor ASA. She also previously served as a director of Sevan Drilling Ltd (formerly Sevan Drilling ASA). In April 2020, Ms. Vartdal will join Statkraft AS as EVP European Wind and Solar.

Ms. Vartdal holds a degree of Siv.Ing. (MSc) in Physics and Mathematics from the Norwegian University of Science and Technology (Nw. NTNU) and an MSc in Financial Mathematics from Heriot-Watt University, Scotland.

Birgit Aagaard-Svendsen was appointed as an independent director on February 27, 2020. Ms. Aagaard-Svendsen has previously served as CFO in the shipping company J. Lauritzen A/S and brings more than 25 years of board experience in public companies. Ms. Aagaard-Svendsen has experience in different business segments including more than 25 years in shipping, 15 years related to offshore as well as 16 years of board experience in Danske Bank. Ms. Aagaard-Svendsen currently serves as Audit Committee Chairman in Aker Solutions AS, DNVGL, Prosafe SE as well as in West of England Ship Owners Mutual Insurance Association. In addition, Ms. Aagaard-Svendsen is the Deputy Chairman of Copenhagen Malmö Port. From 2011 to 2015 she was Chairman of the Danish Committee on Corporate Governance.

Ms. Aagaard-Svendsen is a constructional engineer (Technical University of Denmark) and has a Graduate Diploma in Business Administration (Copenhagen Business School, CBS). Ms. Aagaard-Svendsen has on an ongoing basis participated in Postgraduate Studies in Finance and Strategy at Insead, IMD and IESE.

Glen Ole Rødland was appointed Director and Chairman of the Board on November 21, 2019. Mr Rødland is currently Chairman of Prosafe and AqualisBraemar, and has 25 years' experience in shipping, oil and gas and other industries. He has extensive experience as an analyst and in corporate finance from Investment Banking, Private Office and Private Equity, including DnB and Swedbank. Mr. Rødland obtained an MBA and Postgraduate Studies in Finance completed at the Norwegian School of Economics and Business Administration (NHH) and UCLA.

Gunnar Winther Eliassen was appointed as Hemen Director on November 21, 2019. Mr. Eliassen has been employed by Seatankers Consultancy Services since January 2016. Mr. Eliassen also serves as a Director of Seadrill Partners LLC, Golden Close Maritime Corp. Ltd. and Quintana Energy Services Inc. Mr. Eliassen was also a Partner at Pareto Securities In. in New York and Oslo. Mr. Eliassen obtained an MBA in Finance from the Norwegian School of Economics.

Herman R. Flinder was appointed as an independent director on February 27, 2020. Mr. Flinder is a co-founder of Norse Partners LLC and Energy Investment Management LLC, which manage a portfolio of investments in oil service companies. Mr. Flinder serves on the boards of Noram Drilling Company AS, Panther Fluids Management LLC and Wolf Downhole Motors LLC. Mr. Flinder was previously a managing partner of Fearnley Offshore LLC in Houston and brings to the board 30 years of experience in the offshore industry, including chartering, sales and purchase and corporate development. Mr. Flinder attended the Colorado School of Mines and the University of West Virginia, with a degree in Geology and Engineering and an MBA.

Kjell-Erik Østdahl serves as an independent director appointed by Hemen. Since 2016, Mr. Østdahl has been a senior advisor to Blackstone's Private Equity Energy division in London. Prior to that, between 2014 to 2015, Mr. Østdahl worked in Norway as a senior partner at HitecVision, a private equity investor focused on the upstream oil and gas industry. Prior to that, between 1990 and 2005, and again between 2007 to 2013, Mr. Østdahl worked at Schlumberger and its subsidiary, WesternGeco, including working in France as EVP Operations and Support and Chief Procurement, in the U.K. and Norway as VP Operations, General Manager, Marketing Manager, Business Development Manager and Local Manager and in China and Indonesia as a Field Engineer. Between 2006 and 2007, Mr. Østdahl worked at Statoil as Chief Procurement Officer (Norway). He holds and has held various non-executive directorships and advisory roles including: (a) as Chairman of Sekal (Norway) from 2015 to date, and of Atlantica Tender Drilling (U.S.A) from 2014 to 2016; and (b) as a board member of the Flux Group (Norway) from 2015 to 2016 and of Wirescan (Norway) from 2014 to 2015. Mr. Østdahl has also agreed to act as a director of Mime, a new independent E&P player in the North Sea. Mr. Østdahl holds an MSc Electrical Engineering degree from NTNU Norwegian University of Science & Technology, Norway.

Peter J. Sharpe serves as an independent director appointed by Centerbridge. Mr. Sharpe has served as Director of Archer Limited since November 2019. Mr. Sharpe retired from Shell in 2017 after holding a diverse range of Executive Management positions in international locations over a period of 37 years. Mr. Sharpe served as Executive Vice President of Royal Dutch Shell for over 10 years, with responsibility for managing Shell upstream investments in well construction and maintenance globally. Mr. Sharpe brings significant experience in all aspects of upstream development, asset management, and major project delivery. Mr. Sharpe served as Chairman of SWMS Pte Ltd an independent Joint Venture between Shell and CNPC from 2012 to 2017 and as a non-Executive director of Xtreme Drilling and Coil Services Corporation from 2008 to 2014. He brings to the Board expertise in strategic and operational risk management, supply chain management, organizational change and monetization of technology. Mr. Sharpe received a Bachelor of Science degree from the University of Hull in 1980.

2) Senior Management

Our executive management team consists of the following four employees who are responsible for overseeing the management of our business ("**Management**"). The Board of Directors has organized the provision of management services through Seadrill Management Ltd. ("**Seadrill Management**"), a subsidiary incorporated in the United Kingdom. The Board of Directors has defined the scope and terms of the services to be provided by Seadrill Management. The Board of Directors must be consulted on all matters of material importance and/or of an unusual nature and, for such matters, will provide specific authorization to personnel in Seadrill Management to act on its behalf.

The names of the members of Management as of February 29, 2020, and their respective positions, are presented in the table below:

Name	Age	Position
Anton Dibowitz	48	Chief Executive Officer
Stuart Jackson	60	Chief Financial Officer
Leif Nelson	45	Chief Operating Officer
Sandra Redding	43	General Counsel

Anton Dibowitz serves as the Chief Executive Officer of Seadrill Management and as the Company's Principal Executive Officer. Mr. Dibowitz was appointed Chief Executive Officer of the Group in July 2017. Prior to this Mr. Dibowitz served as Executive Vice President of Seadrill Management since June 2016, and as Chief Commercial Officer since January 2013. He has over 20 years drilling industry experience most recently serving as Vice President of Marketing and prior to that as Commercial Director, Deepwater Western Hemisphere Division. Prior to joining Seadrill, Mr. Dibowitz held various positions within tax, process reengineering and marketing at Transocean Ltd. and Ernst & Young LLP. He is a Certified Public Accountant and a graduate of the University of Texas at Austin where he received a Bachelor's degree in Business Administration, and Master's degrees in Professional Accounting (MPA) and Business Administration (MBA).

Stuart Jackson serves as the Chief Financial Officer of Seadrill Management and as the Company’s Principal Financial Officer and Principal Accounting Officer. Mr. Jackson is an experienced finance executive with 20 years' experience in CFO roles at LSE, Nasdaq, OSE and AIM listed companies, including offshore and oil field services experience having served as CFO for Bibby Offshore, CEONA Pte and Acergy SA.

Leif Nelson has served as Seadrill Management's Chief Operating Officer since July 2015. Mr. Nelson has over 18 years' experience in the drilling industry most recently as the Group's Vice President Operations Performance. Prior to joining Seadrill, Mr. Nelson held various operational positions for Transocean Ltd. Mr. Nelson is a graduate of the Colorado School of Mines and holds a BSc in Petroleum Engineering. Mr. Nelson also sits on the board of the Well Control Institute.

Sandra Redding was appointed General Counsel & SVP in September 2019. Ms. Redding has approaching 20 years in-house legal experience in the oil & gas sector including most recently serving as General Counsel of the Dubai government owned operator Dragon Oil. Ms. Redding has also worked as in-house counsel to Gaz de France (now Engie) and RWE Dea (now Ineos) in the UK North Sea and across their international portfolios. Ms. Redding is qualified to practice as a solicitor in England & Wales and in Queensland, Australia.

B. COMPENSATION

1) Directors

During the year ended December 31, 2019 we paid an aggregate $1 million in directors’ fees to the current members of the Board of Directors as shown in ITEM 6A - "Directors and Senior Management".

In addition, certain members of our current Board of Directors received awards of restricted stock units ("**RSUs**") under our Employee Incentive Plan in September 2018. For details of these awards please see ITEM 6E - "Share Ownership".

2) Senior Management

Senior management compensation currently includes base salary, performance bonus and awards under our Employee Incentive Plan. In addition, members of management may participate in our retirement savings plans and are eligible to participate in benefit programs available to our UK workforce generally including medical, life insurance and disability benefits. We believe that the compensation awarded to our management is consistent with that of our peers and similarly situated companies in our industry.

During the year ended December 31, 2019, we paid an aggregate compensation of $8 million to our management, including $3 million attributed to changes in our senior management team. In addition, we incurred compensation expense in the aggregate amount of $0.1 million for their pension and retirement benefits.

Our management received awards of RSUs in September 2018 and performance shares (**"PSUs"**) in April 2019 under our Employee Incentive Plan. For details of these awards please see ITEM 6E - "Share Ownership".

The Chief Executive Officer, Chief Financial Officer and General Counsel have termination related payment clauses in their contracts. These relate to terminations in the context of a "Change of Control Event" or terminations agreed due to "Good Reason" other than "Cause". "Cause" is defined as one of the following: Gross misconduct; Serious breach of Contract; UK criminal offence; Fraud & corrupt practices relating to the Bribery Act 2010 and ineligibility to work legally in the UK. All the above contracts are signed by the current incumbents. Other than the listed termination related payment clauses, no employee, including members of Management, has entered into employment agreements which provide for any special benefits upon termination of employment.

C. BOARD PRACTICES

The Board of Directors is responsible for the overall management of the Company and may exercise all the powers of the Company not reserved to the Company's shareholders by the Bye-Laws or Bermuda law.

1) Terms of office

The Bye-Laws provide that, as long as Hemen's ownership interest is equal to or exceeds 5% and its ownership percentage has not previously fallen below 5%, the Board of Directors shall consist of not more than seven Directors, unless the Company's shareholders by Ordinary Resolution (as such term is defined in the Bye-Laws) resolve otherwise and Hemen provides its prior written consent thereto. If Hemen's ownership interest falls below 5%, the number of Directors shall be such number as the Company's shareholders by Ordinary Resolution may from time to time determine. The Directors are either appointed by certain of the Company's shareholders pursuant to appointment rights set out in the Bye-Laws or elected by the Company's shareholders at the annual general meeting or any special general meeting called for that purpose. The Company's shareholders may authorize the Board of Directors to fill any vacancy in their number left unfilled at an annual general meeting or any special general meeting called for that purpose. If there is a vacancy of the Board of Directors occurring as a result of the death, disability, disqualification or resignation of any Director (other than an Investor Appointed Director (as defined in the Bye-Laws)), the Board of Directors has the power to appoint a Director to fill the vacancy.

2) Directors' service contracts

The Directors are entitled to one months' notice of termination of their service agreements.

3) Board committees

Our Board of Directors has established an Audit Committee, a Compensation Committee and a Conflicts Committee, and may create such other committees as the Board of Directors shall determine from time to time. Each of the standing committees of our Board of Directors has the composition and responsibilities described below.

i. Audit committee

The Board of Directors has established an Audit Committee among the members of the Board of Directors. The Audit Committee comprises Birgit Aagaard-Svendsen (chair), Birgitte R. Vartdal and Kjell-Erik Østdahl. The Audit Committee is responsible for overseeing the quality and integrity of the Company's Consolidated Financial Statements and its accounting, auditing and financial reporting practices; the Group's compliance with legal and regulatory requirements; the independent auditor's qualifications, independence and performance; and the Group's internal audit function.

ii. Compensation committee

The Board of Directors has established a Compensation Committee among the members of the Board of Directors. The Compensation Committee comprises Peter J. Sharpe (chair), Herman Flinder and Glen Ole Rødland. The Compensation Committee is responsible for establishing and reviewing the executive officer's and senior management's compensation and benefits.

iii. Conflicts committee

The Board of Directors has established a Conflicts Committee among the members of the Board of Directors. The Conflicts Committee comprises Kjell-Erik Østdahl (chair), Birgit Aagaard-Svendsen and Peter J. Sharpe. The primary purpose of the Conflicts Committee is to monitor and make recommendations to the board in relation to potential conflicts of interest between the Company and any of its affiliates or related third parties. The committee will also evaluate any conflicts of interest between a director and the Company.

D. EMPLOYEES

The table below shows the development in the numbers of employees (including contracted-in staff) at December 31, 2019, 2018 and 2017. Please note that those shown in the "Managed rigs" category below, represent employees who provide services for Seadrill Partners, Northern Drilling and Sonadrill.

Total employees (including contracted-in staff)	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Operating segments:			
Floaters	1,395	1,598	1,484
Jack-up rigs	1,016	974	938
Managed rigs	1,497	1,154	796
Corporate	630	647	629
Total employees	**4,538**	**4,373**	**3,847**
Geographical location:			
Norway	994	737	510
Rest of Europe	345	390	235
North and Central America	1,071	978	614
South America	300	425	742
Asia Pacific	651	845	462
Africa and Middle East	1,177	998	1,284
Total employees	**4,538**	**4,373**	**3,847**

We employ people in a number of locations globally. In some locations, predominantly Angola, Nigeria, Norway and Brazil, employees and contract labor are represented by collective bargaining agreements. As part of the legal obligations in some of these agreements, we are required to contribute certain amounts to retirement and pension funds. In addition, many of these employees are working under agreements that are subject to salary negotiation, which could result in higher personnel costs, other increased costs or increased operating restrictions that could adversely affect our financial performance. We consider our relationships with the various unions to be stable.

E. SHARE OWNERSHIP

As at February 29, 2020, members of the Board of Directors and members of Management had the following shareholding in the Company. Also shown are their interests in unvested restricted stock units ("**RSUs**") and performance shares (**"PSUs"**) awarded to them under the Employee Incentive Plan. The RSU awards were made in September 2018 and the PSU awards were made in April 2019.

Name	Position	Number of $0.10 shares	Number of unvested PSUs	Number of unvested RSUs
Birgitte Ringstad Vartdal	Director	1,701	—	47,457
Birgit Aagaard-Svendsen	Director	—	—	—
Glen Ole Rødland	Director and Chairman	—	—	—
Gunnar Winther Eliassen	Director	10,000	—	—
Herman R. Flinder	Director	—	—	—
Kjell-Erik Østdahl	Director	1,701	—	47,457
Peter J. Sharpe	Director	1,701	—	47,457
Anton Dibowitz	Management	15,846	297,339	60,038
Stuart Jackson	Management	—	120,218	—
Leif Nelson	Management	8,807	92,677	33,417
Sandra Redding	Management	—	—	—

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table presents certain information as of February 29, 2020, regarding the ownership of our common shares with respect to each shareholder whom we know to beneficially own more than 5% of our outstanding common shares.

	Common Shares Held	
Shareholder	**Number**	**%**
Hemen Holding Ltd	27,193,826	27.2%
King Street Capital Management LP	6,657,192	6.7%

We had a total of 100,234,973 common shares outstanding as of February 29, 2020.

Our major shareholders have the same voting rights as our other shareholders. No corporation or foreign government owns more than 50% of our outstanding common shares. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of Seadrill.

B. RELATED PARTY TRANSACTIONS

Please see Note 31 - "Related Party Transactions" of the Consolidated Financial Statements included within this report.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

1) Financial Statements

Please see the section of this Annual Report on Form 20-F entitled ITEM 18 - “Financial Statements.”

2) Legal Proceedings

Please see Note 34 - "Commitments and Contingencies" to the Consolidated Financial Statements included within this report.

3) Dividends

The payment of any future dividends to shareholders will depend upon decisions that will be at the sole discretion of the Board of Directors and will depend on the then existing conditions, including Seadrill's operating results, financial condition, contractual restrictions, corporate law restrictions, capital requirements, the applicable laws of Bermuda and business prospects. Under Bermuda law, a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of its assets would thereby be less than its liabilities.

Although the Board of Directors may consider the payment of dividends, there can be no assurance that any dividend will be paid, or if declared, the amount of such dividend. The terms of our senior credit facilities and the agreements governing our subsidiary NSNCo's indebtedness under the Senior Secured Notes may restrict our ability to declare or pay dividends. Further, as Seadrill Limited is a holding company with no material assets other than the shares of its subsidiaries through which it conducts its operations, its ability to pay dividends will also depend on the subsidiaries distributing their respective earnings and cash flow.

Seadrill Limited was incorporated on 14 March 2018 and has not paid any dividends since its incorporation. Old Seadrill Limited did not pay dividends on its common shares since it suspended dividend distributions on November 26, 2014.

B. SIGNIFICANT CHANGES

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Shares of our common stock, par value $0.10 per share, have traded on the NYSE since July 3, 2018 and on the OSE since July 26, 2018 under the trading symbol "SDRL".

The NYSE listing is intended to be our primary listing and the OSE listing is intended to be our secondary listing.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our common shares currently trade on the NYSE and the OSE under the trading symbol "SDRL."

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Bye-Laws are referenced in the exhibits to this annual report on Form 20-F and has been incorporated by reference to Exhibit 3.2 of the amended Registration Statement, filed on Form F-1 on July 18, 2018. Below is a summary of provisions of the Bye-Laws and certain aspects of applicable Bermuda law. The Bye-Laws do not place more stringent conditions for the change of rights of holders than those required by the Bermuda Companies Act.

1) Objective of the Company

The objective of the Company's business is unrestricted, meaning that the Company has the capacity of a natural person, and can carry out any trade or business which, in the Board of Directors' opinion, can be advantageously carried out by the Company. Moreover, this means that the Company's objectives are not specified in the Bye-Laws. The Company can therefore undertake activities without restriction on its capacity.

2) Board of Directors

i. *Proceedings of the Board of Directors*

The Bye-Laws provide that, subject to the Bermuda Companies Act, the business of the Company shall be managed by the Board of Directors. Generally, the Board of Directors may exercise the powers of the Company, except to the extent the Bermuda Companies Act or the Bye-Laws reserve such power to the shareholders. Bermuda law permits individual or corporate directors and there is no requirement in the Bye-Laws or Bermuda law that directors hold any of the Company's shares. There is also no requirement in the Bye-Laws or Bermuda law that the Directors must retire at a certain age.

The remuneration of the Directors is determined by the shareholders in a general meeting, by ordinary resolution. The Directors may also be reimbursed for all reasonable travel, hotel and incidental expenses properly incurred by them in connection with the Company's business or in discharge of their duties as Directors.

No physical meeting of the Board of Directors may take place in Norway or the United Kingdom. For any meeting of the Board of Directors or any board committee held electronically, a majority of the Directors participating (including the Chairman) must be physically located outside the United Kingdom, and the Board of Directors must use reasonable endeavors to ensure that the meeting is not deemed to be held in Norway.

Provided a Director discloses a direct or indirect interest in any contract or arrangement with the Company, as required by Bermuda law, such Director is pursuant to the Bye-Laws entitled to vote in respect of any such contract or arrangement in which he or she is interested and shall be considered in determining the quorum for the relevant board meeting. The Director must declare the nature of that interest, as required by the Bermuda Companies Act, however, no such contract or proposed contract will be void or voidable by reason only that such Director voted on it or was counted in the quorum of the relevant board meeting. Matters decided at a board meeting are determined by a majority of votes cast. No Director (including the chairman of the Board of Directors (if any)) is entitled to a second or casting vote. In the case of an equality of votes, the motion will be deemed to be lost.

ii. *Election and removal of Directors*

The Bye-Laws provide that, provided Hemen's Percentage Interest (as defined therein) is at least 5% (and has not previously fallen below 5%), the Board of Directors shall not have more than seven directors unless the shareholders by Ordinary Resolution (as defined in the Bye-Laws) determine otherwise and Hemen provides its prior written consent. In the event that Hemen's Percentage Interest falls below 5%, the number of Directors shall be such number as the Company by Ordinary Resolution may determine from time to time.

Pursuant to the Bye-Laws, members of the Board of Directors are appointed as follows:

a) provided that Hemen's Percentage Interest is equal to or exceeds 10% (and has not previously fallen below 10%), Hemen shall have the right from the Plan Effective Date (as defined in the Bye-Laws) to: (i) appoint two persons as Hemen Directors (as defined in the Bye-Laws), of whom one shall be the Chairman; and (ii) appoint two persons as Independent Nominees (as defined in the Bye-Laws), provided that the other Directors are given reasonable opportunity to meet and consult with Hemen and such Independent Nominees prior to their appointment to the Board of Directors;

b) provided that Hemen's Percentage Interest is equal to or exceeds 5% but is less than 10% (and has not previously fallen below 5%), Hemen shall have the right from the Plan Effective Date to: (a) appoint one person as a Hemen Director, who shall be the Chairman; and (b) appoint two persons as Independent Nominees, provided that the other Directors are given reasonable opportunity to meet and consult with Hemen and such Independent Nominees prior to their appointment to the Board of Directors;

c) Hemen and Centerbridge shall have the right from the Plan Effective Date to appoint one Joint Designee Director (as defined in the Bye-Laws). The New Commitment Parties (as defined in the Bye-Laws) shall have the right to suggest up to three candidates for the position of Joint Designee Director, which candidates will be considered by Hemen, Centerbridge and the Select Commitment Parties when determining the identity of the Joint Designee Director, provided that the New Commitment Parties will provide the names of the suggested candidates to Hemen, Centerbridge and the Select Commitment Parties, not less than 10 Business Days (as defined in the Bye-Laws) in advance of the proposed date of appointment of the Joint Designee Director in accordance with the Bye-Laws. Prior to appointing the Joint Designee Director, Hemen, Centerbridge and the Select Commitment Parties will deliver written notice of the proposed identity of the Joint Designee Director to the Ad Hoc Group (with separate notice to the outside legal counsel of the Ad Hoc Group) and Barclays not less than three Business Days in advance of the proposed date of appointment of the Joint Designee Director, and shall take into consideration any objections raised by the New Commitment Parties as to the identity of the Joint Designee Director. Notwithstanding the foregoing, each of Hemen, and Centerbridge shall not unreasonably withhold its consent to any appointment of such Joint Designee Director.

From and after such time as select shareholder groups cease to have the right to appoint their respective Director(s) or Independent Nominee, as the case may be, such Directors shall be subject to re-election by Ordinary Resolution at each annual general meeting.

A Director may resign by providing notice in writing to the Company of such resignation. A Director other than an Investor Appointed Director (as defined in the Bye-Laws), may be removed by the Shareholders in a general meeting, provided that the notice of any such general meeting of shareholders convened for the purpose of removing a Director is given to the Director concerned. The notice must be served the Director not less than 14 days before the meeting. The Director shall be entitled to attend the meeting and be heard on the motion for his or her removal. An Investor Appointed Director may be removed by written notice delivered to the Company's registered office by the Investor(s) entitled to make the appointment.

The majority of all the Directors, when taken together, shall not be resident in the United Kingdom.

iii. *Duties of Directors*

The Bye-Laws provide that the Company's business is to be managed by the Board of Directors. Under Bermuda common law, members of the board of directors of a Bermuda company owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty includes the following elements:

- a duty to act in good faith in the best interest of the company;
- a duty not to make a personal profit from opportunities that arise from the officer of director;
- a duty to avoid conflicts of interest; and
- a duty to exercise powers for the purpose for which such powers were intended.

The Bermuda Companies Act imposes a duty on directors and officers of a Bermuda company to act honestly and in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Bermuda Companies Act imposes various duties on directors and officers of a company with respect to certain matters of management and administration of the company. Directors and officers generally owe fiduciary duties to the company, and not to the company's individual shareholders.

3) Share rights

The holders of Shares have no pre-emptive, redemption, conversion or sinking fund rights. The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the holders of Shares.

In the event of the liquidation, dissolution or winding up of the Company, the holders of Shares are entitled to share equally and ratably in its assets, if any, remaining after the payment of all the Company's debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

i. Variation of share rights

The Bye-Laws provide that, subject to the Bermuda Companies Act, the rights attached to any class of the shares issued, unless otherwise provided for by the terms of issue of the relevant class, may be altered or abrogated either: (i) with the consent of the holders of not less than 75% of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of 75% of the votes cast at a general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing at least one-third of the issued shares of the relevant class is present. However, if the Company or a class of shareholders only has one shareholder, one shareholder present in person or by proxy shall constitute the necessary quorum, as specified in (i) and (ii). The Bye-Laws specify that the creation or issue of Shares ranking equally with existing Shares will not, unless expressly provided by the terms of issue of existing Shares, vary the rights attached to existing Shares.

ii. Voting rights

Under Bermuda law, the voting rights of Shareholders are regulated by the Bye-laws, except in certain circumstances provided in the Bermuda Companies Act. At any general meeting, every holder of Shares present in person and every person holding a valid proxy shall have one vote on a show of hands. On a poll, every such holder of Shares present in person or by proxy shall have one vote for every Share held. Unless a different majority is required by law or by the Bye-Laws, resolutions to be approved by the holders of Shares require approval by a simple majority of votes cast at a meeting at which a quorum is present.

Except where a greater majority is required by the Bermuda Companies Act or the Bye-Laws, any question proposed for the consideration of the shareholders at a general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of the Bye-Laws and in case of an equality of votes the chairman of such meeting shall not be entitled to a second or deciding vote and the resolution shall fail.

4) Amendment of the memorandum of association and Bye-Laws

Bermuda law provides that the memorandum of association of a company may be amended in the manner provided for in the Bermuda Companies Act, i.e. by a resolution passed at a general meeting of shareholders. The Bye-laws provide that the Bye-laws may be amended by the Board of Directors but any such amendment shall only become operative to the extent that it has been confirmed by an Ordinary Resolution (as defined in the Bye-laws). The Bye-Laws provide that as long as Hemen's Percentage Interest (as defined in the Bye-Laws) is at least 5%, Hemen's prior written consent is required for any amendment that would modify or otherwise affect Hemen's right to appoint the Hemen Directors and/or the Independent Nominees (as terms are defined in the Bye-Laws) or the right and powers of the Hemen Directors and/or the Independent Nominees once appointed.

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of the Company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Bermuda Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Supreme Court of Bermuda. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the Company's memorandum of association is passed and may be made on behalf of persons entitled to make the application or by one or more of their numbers as they may appoint in writing for the purpose. No application may be made by shareholders voting in favor of the amendment.

5) General Meetings of shareholders

The annual general meeting of the Company shall be held once in every year at such time and place as the Board of Directors appoints. Pursuant to Bermuda law, the Board of Directors may call for a special general meeting whenever they think fit, and the Board of Directors must call for a special general meeting upon the request of shareholders holding not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings. Bermuda law also requires that shareholders of a company are given at least five days' advance notice of a general meeting, unless notice is waived. The Bye-Laws provide that the Board of Directors may convene an annual general meeting or a special general meeting. General meetings of shareholders may not be held in Norway or the United Kingdom.

Under the Bye-Laws, at least seven days' notice of an annual general meeting must be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held. At least seven days' notice of a special general meeting must be given to each shareholder entitled to attend and vote thereat, stating the date, place and time and the general nature of the business to be considered at the meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed: (i) in the case of an annual general meeting by all of the shareholders entitled to attend and vote at such meeting; or (ii) in the case of a special general meeting by a majority in number of the shareholders entitled to attend and vote at the meeting holding not less than 95% in nominal value of the shares entitled to attend and vote at such meeting. Pursuant to the Bye-Laws, the quorum required for a general meeting of shareholders is two or more shareholders present in person or by proxy and entitled to vote (whatever the number of shares held by them).

The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice does not invalidate the proceedings at that meeting.

Pursuant to the Bye-Laws, no Shareholder is entitled to attend any general meeting of shareholders unless the Shareholder has delivered to the Company's registered office written notice of its intention to attend and vote in person or by proxy at least 48 hours before the time of the meeting or the adjournment thereof.

6) Shareholders' proposals

Under Bermuda law, shareholders may, as set forth below and at their own expense (unless the company otherwise resolves), require the company to: (i) give notice to all shareholders entitled to receive notice of the annual general meeting of any resolution that the shareholders may properly move at the next annual general meeting; and/or (ii) circulate to all shareholders entitled to receive notice of any general meeting a statement (of not more than one thousand words) in respect of any matter referred to in the proposed resolution or any business to be conducted at such general meeting. The number of shareholders necessary for such a requisition is either: (i) any number of shareholders representing not less than 5% of the total voting rights of all shareholders entitled to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders.

7) Dividend rights

Under Bermuda law, a company may not declare or pay a dividend or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that: (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) that the realizable value of its assets would thereby be less than its liabilities. Under the Bye-Laws, each common share is entitled to dividends if, as and when dividends are declared by the Board of Directors, subject to any preferred dividend right of the holders of any preference shares.

Any cash dividend payable to holders of the shares listed on the NYSE will be paid to Computershare, the Company's transfer agent in the United States for disbursement to those holders. Any cash dividends payable to holders of the Shares listed on the OSE will be paid to Nordea, the Company's transfer agent in Norway for disbursement to those holders.

Pursuant to the Bye-Laws, any dividends, distributions or proceeds of share repurchases which remain unclaimed for three years from the date of declaration of such dividend, distribution or proceeds of share repurchases will be forfeited and revert to the Company.

8) Transfer of Shares

The Bye-Laws provide that the Board of Directors may decline to register, and may require any registrar appointed by the Company to decline to register, a transfer of a Share or any interest therein held through the VPS if such transfer would be likely, in the opinion of the Board of Directors, to result in 50% or more of the issued share capital (or of the votes attaching all issued shares in the Company) being held or owned directly or indirectly by persons resident for tax purposes in Norway. A failure to notify the Company of such correction or change can lead to the Shareholder's entitlement to vote, exercise other rights attaching to the Shares or interests therein being sold at the best price reasonably obtainable in all the circumstances. Furthermore, if such holding of 50% or more by individuals or legal persons resident for tax purposes in Norway or connected to a Norwegian business activity, the Bye-Laws require the Board of Directors to make an announcement through the OSE, and the Board of Directors and the registrar appointed by the Company are then entitled to dispose of Shares or interests therein to bring such holding by an individual or legal person resident for tax purposes in Norway or connected to a Norwegian business below 50%, the Shares or interests therein to be sold being firstly those held by holders who failed to comply with the above notification requirement, and thereafter those that were acquired most recently by the Shareholders.

Notwithstanding anything else to the contrary in the Bye-Laws, shares that are listed or admitted to trading on an Appointed Stock Exchange may be transferred in accordance with the rules and regulations of such exchange. All transfers of uncertificated Shares shall be made in accordance with and be subject to the facilities and requirements of the transfer of title to Shares in that class by means of the VPS or any other relevant system concerned and, subject thereto, in accordance with any arrangements made by the Board of Directors in accordance with the Bye-Laws. The Board of Directors may in its absolute discretion, refuse to register the transfer of a Share that is not fully paid. The Board of Directors may also refuse to recognize an instrument of transfer of a Share unless it is accompanied by the relevant Share certificate (if one has been issued) and such other evidence of the transferor's right to make the transfer as the Board of Directors shall reasonably require. Pursuant to the Bye-

Laws, if the Board of Directors is of the opinion that a transfer may breach any law or requirement of any authority or any stock exchange or quotation system upon which any of the Company's common Shares are listed (from time to time), then registration of the transfer shall be declined until the Board of Directors receives satisfactory evidence that no such breach would occur. Subject to these restrictions and any other restrictions in the Bye-Laws and to the Bermuda Companies Act and applicable United States laws (including, without limitation, the U.S. Securities Act and related regulations), a holder of Shares may transfer the title to all or any of his Shares by completing an instrument of transfer in the usual common form or in such other form as the Board of Directors may approve. The instrument of transfer must be signed by the transferor and, in the case of a Share that is not fully paid, the transferee. The Board of Directors may also implement arrangements in relation to the evidencing of title to and the transfer of uncertified shares.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust. The Company will take no notice of any trust applicable to any of the Shares, whether or not the Company has been notified of such trust.

9) Disclosure of material interest

The Bye-Laws provide that, where the requirements of the OSE require any person acquiring or disposing of an interest in the Shares to give notification of such change in interest, such person must immediately notify the registrar appointed by the Company of the acquisition or disposal and of its resulting interest, following which, the registrar appointed by the Company will notify the OSE. If a person fails to provide such notification, the Board of Directors shall require the registrar appointed by the Company to serve the person with notice, requiring compliance with the notification requirements and inform him or her that pending such compliance the registered holder of the Shares shall have suspended its entitlement to vote, exercise other rights attaching to the Shares and receive payment of income or capital.

10) Amalgamations and mergers

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation or merger agreement to be approved by the company's board of directors and by its shareholders. Unless the bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation or merger agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. The Bye-Laws provide that any such amalgamation or merger must be approved by the affirmative vote of at least a majority of the votes cast at a general meeting of the Company at which the quorum shall be two shareholders present in person or by proxy and entitled to vote (whatever the number of shares held by them).

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the relevant general meeting of shareholders, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

11) Shareholder suits

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal, or would result in the violation of the company's memorandum of association or Bye-Laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

The Bye-Laws contain a provision by virtue of which the Shareholders waive any claim or right of action that they have, both individually and on the Company's behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer.

12) Capitalization of profits and reserves

Pursuant to the Bye-Laws, the Board of Directors may (i) capitalize any amount for the time being standing to the credit of the Company's share premium or other reserve accounts or any amount credited to the Company's profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata to the shareholders; or (ii) capitalize any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in full, partly paid or nil paid shares of those shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

13) Access to books and records and dissemination of information

Members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies. These documents include the Company's memorandum of association (including its objects and powers) and certain alterations to the Company's memorandum of association. The members of the Company have the additional right to inspect the Bye-Laws, minutes of general meetings and the Company's audited financial statements (unless such requirement is waived in accordance with the Bye-Laws and the Bermuda Companies Act), which must be presented to the annual general meeting. The register of members of the Company is also open to inspection by Shareholders and by members of the general public without charge. Except when the register of members is closed under the provisions of the Bermuda Companies Act, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by advertisement in an appointed newspaper close the register of members for any time or times not exceeding in the whole thirty days in a year.

Subject to the provisions of the Bermuda Companies Act, a company is required to maintain its register of members in Bermuda. A company with its shares listed on an Appointed Stock Exchange or which has had its shares offered to the public pursuant to a prospectus filed in accordance with the Bermuda Companies Act, or which is subject to the rules or regulations of a competent regulatory authority, may keep in any place outside Bermuda, one or more branch registers after giving written notice to the Bermuda Registrar of Companies of the place where each such register is to be kept. Any branch register of members established by the aforementioned is subject to the same rights of inspection as the register of members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part thereof which must be provided within 14 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Act.

A company is required to keep a register of directors and officers at its registered office and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Act. A company is also required to file with the Bermuda Registrar of Companies a list of its directors to be maintained on a register, which register will be available for public inspection subject to such conditions as the Bermuda Registrar of Companies may impose and on payment of such fee as may be prescribed.

Where a company, the shares of which are listed on an Appointed Stock Exchange, sends its summarized financial statements to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarized financial statements) must be made available for inspection by the public at the company's registered office. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

In addition, the Bye-Laws require that the Company provide each of the Investors (as defined in the Bye-Laws) certain financial reports and other information, unless such Investor notifies the Company otherwise, and provide certain investors with certain additional inspection rights and access to Management.

14) Winding-up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors (including contingent or prospective creditors) or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, the company shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up thereof.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be deemed a "members' voluntary winding up". In any case where such declaration has not been made, the winding up will be deemed a "creditors' voluntary winding up".

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator is at any time of the opinion that the company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up via a members' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account, and giving any explanation thereof. This final general meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the meeting the liquidator shall notify the Bermuda Registrar of Companies that the company has been dissolved and the Registrar shall record that fact in accordance with the Bermuda Companies Act.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of the creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, the company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company and distributing the assets of the company, provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the members shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' voluntary winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year.

As soon as the affairs of the company are fully wound up via a creditors' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before the meetings, and giving any explanation thereof. Each such meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Bermuda Registrar of Companies a copy of the account and make a return to him in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Bermuda Registrar of Companies of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

15) Indemnification of Directors and officers

Section 98 of the Bermuda Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favor or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Bermuda Companies Act.

The Company has adopted provisions in the Bye-Laws that provide that the Company shall indemnify its officers and directors of their actions and omissions to the fullest extent permitted by Bermuda law. The Bye-Laws provide that the Shareholders shall waive all claims or rights of action that they might have, individually or in right of the Company, against any of the Company's directors or officers for any act or failure to act in the performance of such director's or officer's duties, except in respect of any fraud or dishonesty of such director or officer. Section 98A of the Bermuda Companies Act permits the Company to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not the Company may otherwise indemnify such officer or director.

16) Compulsory acquisition of shares held by minority Shareholders

An acquiring party is generally able to acquire compulsorily the common shares of a minority shareholder of a Bermuda company in the following ways:

By procedure under the Bermuda Companies Act known as a "scheme of arrangement". A scheme of arrangement could be affected by obtaining the agreement of the company and of holders of common shares, representing in the aggregate a majority in number and at least 75% in value of the common shareholders present and voting at a court ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Bermuda Supreme Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Bermuda Registrar of Companies, all holders of common shares could be compelled to sell their common shares under the terms of the scheme of arrangement.

If the acquiring party is a company it may compulsory acquire all the shares of the target company, by acquiring pursuant to a tender offer 90% of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90% or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, required by notice any non-tendering shareholder to transfer its shares on the same terms as the original offer. In those circumstances, non-tendering shareholders will be compelled to sell their shares unless the Supreme Court of Bermuda (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise.

Where the acquiring party or parties hold not less than 95% of the shares or class of shares of the company, such holder(s) may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

17) Certain provisions of Bermuda law

The Company has been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows the Company to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on its ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of its common shares. The Bermuda Monetary Authority has given its consent for the issue and free transferability of all its common shares from and/or to non-residents and residents of Bermuda for exchange control purposes, provided its shares remain listed on an Appointed Stock Exchange, which includes the NYSE and the OSE. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to the Company's performance or creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinions or statements expressed in this report. Certain issues and transfers of common shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder and if the Board of Directors so determines, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust. Except as ordered by a court of competent jurisdiction or as required by law or the Bye-Laws, the Company will take no notice of any trust applicable to any of its common shares, whether or not it has been notified of such trust.

C. MATERIAL CONTRACTS

Attached as exhibits to this annual report are the contracts we consider to be both material and not in the ordinary course of business. Other than these contracts, we have no material contracts other than those entered in the ordinary course of business.

D. EXCHANGE CONTROLS

The Bermuda Monetary Authority, or the BMA, must give permission for all issuances and transfers of securities of a Bermuda exempted company like ours, unless the proposed transaction is exempted by the BMA’s written general permissions. We have received general permission from the BMA to issue any unissued common shares and for the free transferability of our common shares as long as our common shares are listed on an “appointed stock exchange.” Our common shares are listed on the OSE and the NYSE, each of which is an “appointed stock exchange.” Our common shares may therefore be freely transferred among persons who are residents and non-residents of Bermuda.

Although we are incorporated in Bermuda, we are classified as a non-resident of Bermuda for exchange control purposes by the BMA. Other than transferring Bermuda Dollars out of Bermuda, there are no restrictions on our ability to transfer funds into and out of Bermuda or to pay dividends to U.S. residents who are holders of Common Shares or other non-residents of Bermuda who are holders of our common shares in currency other than Bermuda Dollars.

We will take no notice of any trust applicable to any of our shares or other securities whether or not we had notice of such trust.

As an “exempted company,” we are exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians, but as an exempted company, we may not participate in certain business transactions including: (i) the acquisition or holding of land in Bermuda (except that required for its business and held by way of lease or tenancy for terms of not more than 21 years) without the express authorization of the Bermuda legislature; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of $50,000 without the consent of the Minister of Economic Development of Bermuda; (iii) the acquisition of any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government of Bermuda or by a public authority in Bermuda; or (iv) the carrying on of business of any kind in Bermuda, except in so far as may be necessary for the carrying on of its business outside Bermuda or under a license granted by the Minister of Economic Development of Bermuda.

The Bermuda government actively encourages foreign investment in “exempted” entities like us that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, we are subject neither to taxes on our income or dividends nor to any exchange controls in Bermuda. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by us, as required, without limitation. There is no income tax treaty between the United States and Bermuda pertaining to the taxation of income other than applicable to insurance enterprises.

E. TAXATION

The following is a discussion of the material Bermuda, United States federal income and other tax considerations with respect to us and holders of common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities, investors whose functional currency is not the United States Dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common stock, may be subject to special rules. This discussion deals only with holders who hold the common stock as a capital asset, generally for investment purposes. Shareholders are encouraged to consult their own tax advisors concerning the overall tax consequences arising in their own particular situation under United States federal, state, local or foreign law of the ownership of common stock.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds common stock, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding the common stock are encouraged to consult their own tax advisers.

Bermuda and Other Non-U.S. Tax Considerations

As at the date of this annual report, whilst Seadrill is resident in Bermuda, we are not subject to taxation under the laws of Bermuda. Distributions we receive from our subsidiaries also are not subject to any Bermuda tax. As at the date of this annual report, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, or estate duty or inheritance tax payable by non-residents of Bermuda in respect of capital gains realized on a disposition of our common stock or in respect of distributions they receive from us with respect to our common stock. This discussion does not, however, apply to the taxation of persons ordinarily resident in Bermuda. Bermuda shareholders should consult their own tax advisors regarding possible Bermuda taxes with respect to dispositions of, and distributions on, our common stock.

We have received from the Minister of Finance under The Exempted Undertaking Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, the imposition of any such tax shall not be applicable to us or to any of our operations or shares, debentures or other obligations, until March 31, 2035. This assurance is subject to the proviso that it is not to be construed to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967. The assurance does not exempt us from paying import duty on goods imported into Bermuda. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government. We and our subsidiaries incorporated in Bermuda pay annual government fees to the Bermuda government.

Bermuda currently has no tax treaties in place with other countries in relation to double-taxation or for the withholding of tax for foreign tax authorities.

Dividends distributed by Seadrill Limited out of Bermuda

Currently, there is no withholding tax payable in Bermuda on dividends distributed from Seadrill Limited to its shareholders.

Taxation of rig owning entities

A number of our drilling rigs are owned in tax-free jurisdictions such as Bermuda or Liberia. There is no taxation of the rig owners’ income in these jurisdictions. The remaining drilling rigs are owned in jurisdictions with income or tonnage taxation of the rig owners’ income, being Hungary, Norway and Singapore. There may also be income tax in certain other jurisdictions where rigs are owned by, or allocated to, local branches.

Please also see the section below entitled “Taxation in country of drilling operations.”

Taxation in country of drilling operations

Income derived from drilling operations is generally taxed in the country where these operations take place. The taxation of income derived from drilling operations could be based on net income, deemed income, withholding taxes and/or other bases, depending upon the applicable tax legislation in each country of operation. Some countries levy withholding taxes on bareboat charter payments (internal rig rent), branch profits, crew, dividends, interest and management fees.

Drilling operations can be carried out by locally incorporated companies, foreign branches of operating companies or foreign branches of the rig owning entities. We elect the appropriate structure with due regard to the applicable legislation of each country where the drilling operations occur.

Taxation may also extend to the rig owning entity in some of the countries where the drilling operations are performed. Some countries have introduced new laws and rules since the commencement of certain drilling contracts, which may affect, or have affected, the position of the group, potentially leading to additional tax on rig owners. The group considers the applicability of these to individual companies and contracts based on the relevant facts and circumstances.

Net income

Net income corresponds to gross income derived from the drilling operations less tax-deductible costs (i.e. operating costs, crew, insurance, management fees and capital costs (internal bareboat fee; tax depreciation; interest costs) incurred in relation to those operations). In addition to net income tax, withholding tax on branch profits, dividends, internal bareboat fees, among other items, may also be levied.

Net income taxation for an international drilling contractor is complex, and pricing of internal transactions (e.g., rig sales; bareboat fees; services) will allocate overall taxable income between the relevant countries. We apply Organization for Economic Cooperation and Development, or OECD, Transfer Pricing Guidelines as a basis to arrive at pricing for internal transactions. OECD Transfer Pricing Guidelines describe various methods to price internal services on terms believed by us to be no less favorable than are available from unaffiliated third parties. However, some tax authorities could disagree with our transfer pricing methods and disputes may arise regarding the correct pricing.

Deemed income tax

Deemed income tax is normally calculated based on gross turnover, which can include or exclude reimbursables and often reflects an assumed profit ratio, multiplied by the applicable corporate tax rate. Some countries will also levy withholding taxes on the distribution of dividend and/or branch profits at the deemed tax rate.

Withholding and other taxes

Some countries base their taxation solely on withholding tax on gross turnover. In addition, some countries levy stamp duties, training taxes or similar taxes on the gross turnover.

Customs duties

Customs duties are generally payable on the importation of drilling rigs, equipment and spare parts into the country of operation, although several countries provide exemption from such duties for the temporary importation of drilling rigs. Such exemption may also apply to the temporary importation of equipment.

Taxation of other income

Other income related to crewing, management fees and technical services will generally be taxed in the country where the service provider is resident, although withholding tax and/or income tax may also be imposed in the country where the drilling operations take place.

Dividends and other investment income will be taxable in accordance with the legislation of the country where the company holding the investment is resident. For companies resident in Bermuda, there is currently no tax on these types of income.

Some countries levy withholding taxes on outbound dividends and interest payments.

Capital gains taxation

In respect of drilling rigs located in Bermuda, Liberia, Singapore and Hungary, no capital gains tax is payable in these countries upon the sale or disposition of a rig. However, some countries may impose a capital gains tax or a claw-back of tax depreciation (on a full or partial basis) upon the sale of a rig during or attributable to such time as the rig is operating within such country, or within a certain time after completion of such drilling operations, or when the rig is exported after completion of such drilling operations.

Other taxes

Our operations may be subject to sales taxes, value added taxes, or other similar taxes in various countries.

Taxation of shareholders

Taxation of shareholders will depend upon the jurisdiction where the shareholder is a tax resident. Shareholders should seek advice from their tax adviser to determine the taxation to which they may be subject based on the shareholder’s circumstances.

United States Federal Income Tax Considerations

The following are the material United States federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of the ownership of our common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as dealers in securities, banks, financial institutions, tax-exempt entities, insurance companies, pension funds, US expatriates, real estate investment trusts, regulated investment companies, investors holding common stock as part of a straddle, hedging or conversion transaction, investors subject to the alternative minimum tax, investors who acquired their common stock pursuant to the exercise of employee stock options or otherwise as compensation, investors whose functional currency is not the United States Dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common stock, may be subject to special rules. The following discussion of United States federal income tax matters is based on the United States Internal Revenue Code of 1986, as amended, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, or the Treasury Regulations, all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business in this annual report and assumes that we conduct our business as described.

United States Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of common stock that is (1) a U.S. citizen or resident for U.S. federal income tax purposes, (2) U.S. corporation or other U.S. entity taxable as a corporation, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity or arrangement treated as a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax adviser.

Distributions

Subject to the discussion of PFICs below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, U.S. Holders that are corporations will not be entitled to claim a dividend received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as "passive category income" or, in the case of certain types of U.S. Holders, "general category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate, or a "U.S. Individual Holder" will generally be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the NYSE, on which our common stock is traded); (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed below, we are not and do not anticipate being in the future); (3) the U.S. Individual Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend; and (4) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any "extraordinary dividend," generally, a dividend paid by us in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis (or fair market value in certain circumstances) in a share of common stock. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or other Taxable Disposition of Common Stock

Assuming we do not constitute a PFIC for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other taxable disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other taxable disposition and the U.S. Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

3.8% Tax on Net Investment Income

Certain U.S. Holders, including individuals, estates, or, in certain cases, trusts, will generally be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000). A U.S. Holder's net investment income will generally include distributions made by us which constitute a dividend for U.S. federal income tax purposes and gain realized from the sale, exchange or other taxable disposition of our common stock. This tax is in addition to any income taxes due on such investment income.

If you are a U.S. Holder that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of the 3.8% tax on net investment income to the ownership and disposition of our common stock.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a PFIC for United States federal income tax purposes. In general, a foreign corporation will be treated as a PFIC with respect to a United States shareholder, if, for any taxable year in which such shareholder holds stock in such foreign corporation, either:

- at least 75% of the corporation's gross income for such taxable year consists of passive income (e.g. dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether a foreign corporation is a PFIC, it will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns, directly or indirectly, at least 25% of the value of the subsidiary's stock.

Income earned by a foreign corporation in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless the foreign corporation is treated under specific rules as deriving its rental income in the active conduct of a trade or business or is received from a related party.

Based on the current and anticipated valuation of our assets, including goodwill, and composition of our income and assets, we intend to take the position that we will not be treated as a PFIC for U.S. federal income tax purposes for our current taxable year or in the foreseeable future. Our position is based on valuations and projections regarding our assets and income. While we believe these valuations and projections to be accurate, such valuations and projections may not continue to be accurate. Moreover, as we have not sought a ruling from the Internal Revenue Service, or IRS, on this matter, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, the nature of our operations may change in the future, and if so, we may not be able to avoid PFIC status in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different United States federal income taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election." As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common stock, as discussed below. In addition, if we were to be treated as a PFIC for any taxable year a U.S. Holder would be required to file an annual report with the United States Internal Revenue Service, or the IRS, for that year with respect to such U.S. Holder's common stock.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an "Electing Holder," the Electing Holder must report each year for United States federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common stock would be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed would result in a corresponding reduction in the adjusted tax basis in the common stock and would not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A U.S. Holder would make a QEF election with respect to any taxable year during which we are a PFIC by filing a valid IRS Form 8621 with his United States federal income tax return. If we were aware that we or any of our subsidiaries were to be treated as a PFIC for any taxable year, we would, if possible, provide each U.S. Holder with all necessary information in order to make the QEF election described above. If we were to be treated as a PFIC, a U.S. Holder would be treated as owning his proportionate share of stock in each of our subsidiaries which is treated as a PFIC and a separate QEF election would be necessary with respect to each subsidiary. It should be noted that we may not be able to provide such information if we did not become aware of our status as a PFIC in a timely manner.

Taxation of U.S. Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our stock is treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common stock, provided the U.S. Holder completes and files a valid IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. The "mark-to-market" election will not be available for any of our subsidiaries. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included as ordinary income by the U.S. Holder. It should be noted that the mark-to-market election would likely not be available for any of our subsidiaries which are treated as PFICs.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, if we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holders' aggregate holding period for the common stock;
- the amount allocated to the current taxable year and any taxable year before we became a PFIC would be taxed as ordinary income; and

- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit-sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of our common stock. If a Non-Electing Holder, who is an individual, dies while owning our common stock, such Non-Electing Holder's successor generally would not receive a step-up in tax basis with respect to such common stock.

United States Federal Income Taxation of "Non-U.S. Holders"

A beneficial owner of our common stock that is not a U.S. Holder or partnership is referred to herein as a "Non-U.S. Holder."

Dividends on Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is subject to United States federal income tax only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock

Non-U.S. Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other taxable disposition of our common stock, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a United States income tax treaty with respect to that gain, that gain is subject to United States Federal Income tax only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If a Non-U.S. Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other taxable disposition of the common stock that is effectively connected with the conduct of that United States trade or business will generally be subject to United States federal income tax in the same manner as discussed in the previous section relating to the United States federal income taxation of U.S. Holders. In addition, if the Non-U.S. Holder is a corporation, the Non-U.S. Holder's earnings and profits that are attributable to the effectively connected income, subject to certain adjustments, may be subject to an additional United States federal branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable United States income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, and other taxable distributions, made by us to you within the United States will be subject to information reporting requirements. Such payments will also be subject to backup withholding if paid to a U.S. Individual Holder who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he has failed to report all interest or dividends required to be shown on his United States federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an applicable IRS Form W-8.

If a Non-U.S. Holder sells his common stock to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the Non-U.S. Holder certifies that he is a non-United States person, under penalties of perjury, or otherwise establishes an exemption. If a Non-U.S. Holder sells his common stock through a non-United States office of a non-United States broker and the sales proceeds are paid to the Non-U.S. Holder outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to a Non-U.S. Holder outside the United States, if the Non-U.S. Holder sells his common stock through a non-United States office of a broker that is a United States person or has some other connection to the United States.

Backup withholding is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the taxpayer's United States federal income tax liability by properly filing a refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in the applicable Treasury Regulations, certain individuals who are non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in section 6038D of the Code and the applicable Treasury Regulations) are required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) with information relating to each such asset for each taxable year in which the aggregate value of all such assets exceeds $75,000 at any time during the taxable year or $50,000 on the last day of the taxable year. Specified foreign financial assets would include, among other assets, our common stock, unless the common stock were held through an account maintained with certain financial institutions. Substantial penalties apply to any failure to timely file IRS

Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, the statute of limitations on the assessment and collection of U.S. federal income tax with respect to a taxable year for which the filing of IRS Form 8938 is required may not close until three years after the date on which IRS Form 8938 is filed. U.S. Holders and Non-U.S. Holders are encouraged to consult their own tax advisers regarding their reporting obligations under section 6038D of the Code.

Other Tax Considerations

In addition to the tax consequences discussed above, we may be subject to tax in one or more other jurisdictions where we conduct activities. The amount of any such tax imposed upon our operations may be material.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements we file reports and other information with the Commission. These materials, including this annual report on Form 20-F and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. The Commission maintains a website (http://www.sec.gov.) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, documents referred to in this annual report on Form 20-F may be inspected at our principle executive offices at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda and at the offices of Seadrill Management Ltd., at Building 11, Chiswick Business Park, 566 Chiswick High Road, London, W4 5YS, United Kingdom.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to several market risks, including credit risk, foreign currency risk and interest rate risk. Our policy is to reduce our exposure to these risks, where possible, within boundaries deemed appropriate by our management team. This may include the use of derivative instruments.

Credit risk

We have financial assets, including cash and cash equivalents, marketable securities, other receivables and certain amounts receivable on derivative instruments. These assets expose us to credit risk arising from possible default by the counterparty. Most of the counterparties are creditworthy financial institutions or large oil and gas companies. We do not expect any significant loss to result from non-performance by such counterparties.

We do not demand collateral in the normal course of business. The credit exposure of derivative financial instruments is represented by the fair value of contracts with a positive fair value at the end of each period, adjusted interest rate swap agreements, currency option contracts and foreign currency contracts is represented by the fair value of contracts with a positive fair value at the end of each period, reduced by the effects of master netting agreements, adjusted for counterparty non-performance credit risk assumptions. It is our policy to enter into master netting agreements with the counterparties to derivative financial instrument contracts, which give us the legal right to discharge all or a portion of amounts owed to a counterparty by offsetting them against amounts that the counterparty owes to us.

Concentration of risk

There is also a concentration of credit risk with respect to cash and cash equivalents to the extent that most of the amounts are carried with Citibank, Nordea Bank Finland Plc, Danske Bank A/S, BNP Paribas, BTG Bank and ING Bank N.V. We consider these risks to be remote. We also have a concentration of risk with respect to customers, including affiliated companies. For details on the customers with greater than 10%

of contract revenues, refer to Note 6 - Segment information. For details on amounts due from affiliated companies, refer to Note 31 - Related Party transactions.

Foreign exchange risk

As is customary in the oil and gas industry, a majority of our revenues and expenses are denominated in U.S. dollars, which is the functional currency of most of our subsidiaries and equity method investees. However, a portion of the revenues and expenses of certain of our subsidiaries and equity method investees are denominated in other currencies. We are therefore exposed to foreign exchange gains and losses that may arise on the revaluation or settlement of monetary balances denominated in foreign currencies.

Our foreign exchange exposures primarily relate to foreign denominated cash and working capital balances. We do not expect these remaining exposures to cause a significant amount of fluctuation in net income and therefore do not currently hedge them. Further, the effect of fluctuations in currency exchange rates caused by our international operations generally has not had a material impact on our overall operating results.

Interest rate risk

Our exposure to interest rate risk relates mainly to our floating rate debt and balances of surplus funds placed with financial institutions. We manage this risk through the use of derivative arrangements.

On May 11, 2018, we purchased an interest rate cap for $68 million to mitigate our exposure to future increases in LIBOR on our Senior Credit Facility debt. The interest rate cap is not designated as a hedge and therefore we do not apply hedge accounting. The capped rate against the 3-month US LIBOR is 2.87% and covers the period from June 15, 2018 to June 15, 2023.

We have set out our exposure to interest rate risk on our net debt obligations at December 31, 2019 (Successor) in the table below:

(In $ millions)	**Principal**	**Hedging instruments**	**Total**	**Impact of 1% increase in rates**
Senior Credit Facilities	5,662	(4,500)	1,162	12
Ineffective portion of interest rate cap [1]	—	4,320	4,320	43
Debt contained within VIEs	621	—	621	6
Debt exposed to interest rate fluctuations	6,283	(180)	6,103	61
Less: Cash and Restricted Cash	(1,357)	—	(1,357)	(14)
Net debt exposed to interest rate fluctuations [2]	**4,926**	**(180)**	**4,746**	**47**

[1] The 3-month LIBOR rate as at December 31, 2019 was 1.91%. At this date, the interest cap would mitigate 4% of the impact of a theoretical 1% point increase in LIBOR.

[2] The $476 million of Senior Secured Notes are a fixed rate debt instrument and are therefore excluded from the above table.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITARY SHARES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

Our Management, with participation from the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 and Rule 15d-15 of the Exchange Act as of December 31, 2019. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the evaluation date.

B. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Board, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of Company's management and directors; and
- Provide reasonable assurance regarding the 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 its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the design and operation of our internal control over financial reporting pursuant to Rule 13a-15 of the Exchange Act as of December 31, 2019.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control- Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management reviewed the results of its assessment with the Audit Committee of our Board of Directors. On the basis of this evaluation, Management concluded that, as of December 31, 2019, the Company's internal control over financial reporting was effective.

C. Attestation Report of the Registered Public Accounting Firm

The independent registered public accounting firm that audited the Consolidated Financial Statements, PricewaterhouseCoopers LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting as at December 31, 2019, appearing under Item 18 "Financial Statements", and such report is incorporated herein by reference.

D. Changes in Internal Control over Financial Reporting

There were no changes in these internal controls during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 16. RESERVED

Not applicable.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Birgitte Vartdal and Birgit Aagaard-Svendsen, are independent Directors as defined by the NYSE and are audit committee financial experts as defined by the SEC. See Item 6A - "Directors and Senior Management" for a description of their relevant experience.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics that applies to all entities controlled by us and its employees, directors, officers and agents of ours. We will provide any person, free of charge, a copy of our Code of Ethics upon written request to our registered office.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our principal accountant for the fiscal years ended December 31, 2019 and 2018 was PricewaterhouseCoopers LLP in the United Kingdom. The following table sets forth the fees related to audit and other services provided by the principal accountants and their affiliates.

	Successor		**Predecessor**
(in $)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**
Audit fees [1]	3,308,694	4,035,949	1,484,600
Audit-related fees [2]	100,330	252,108	—
Taxation fees [3]	—	—	—
All other fees [4]	17,269	—	—
Total	3,426,293	4,288,057	1,484,600

(1) Audit fees represent professional services rendered for the audit of our annual Consolidated Financial Statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements.
(2) Audit-related fees consist of assurance and related services rendered by the principal accountant related to the performance of the audit or review of our Consolidated Financial Statements which have not been reported under Audit fees above.
(3) Taxation fees represent fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.
(4) All other fees include services other than audit fees, audit-related fees and taxation fees set forth above, primarily including assistance in the preparation of financial statement for subsidiaries.

Audit Committee's Pre-Approval Policies and Procedures

Our Board has adopted pre-approval policies and procedures in compliance with paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X that require the Board to approve the appointment of our independent auditor before such auditor is engaged and approve each of the audit and non-audit-related services to be provided by such auditor under such engagement by us. All services provided by the principal auditor in 2019, 2018 (Successor) and 2018 (Predecessor) were approved by the Board pursuant to the pre-approval policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

U.S. companies listed on the NYSE are subject to the "NYSE Corporate Governance: A Practical Guide" which has been published by the NYSE and is available at nyse.com/cgguide. As a foreign private issuer, we are exempt from certain requirements of the NYSE that are applicable to U.S. listed companies, including certain corporate governance practices. Set out below is a list of the significant differences between our corporate governance practices and the NYSE standards applicable to listed U.S. companies.

i. Independence of Directors

The NYSE requires that a U.S. listed company maintain a majority of independent directors. Under Bermuda law, we are not required to have a board of directors comprised of a majority of directors meeting the independence standards described in NYSE rules. However, our Board of Directors currently has a majority of independent directors, with five of the seven members being independent under the NYSE's standards for independence applicable to a foreign private issuer.

ii. *Executive Sessions*

The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. Historically, non-management directors regularly held executive sessions without management. We expect this to continue in the future.

iii. *Nominating/Corporate Governance Committee.*

The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Bermuda law, we do not currently have a nominating or corporate governance committee.

iv. *Corporate Governance Guidelines.*

The NYSE requires that a listed U.S. company adopts and discloses corporate governance guidelines. The guidelines must address, among other things, director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Bermuda law, however our current bye-laws include certain matters concerning corporate governance.

Additional Information Concerning Corporate Governance Required by the OSE Continuing Obligations

i. Internal Control and Risk Management

Information concerning the main elements of our internal control and risk management systems associated with the financial reporting process has been provided in "Item 15. Controls and Procedures".

ii. Board of Directors and Board Committees

The composition of our Board of Directors is set out in "Item 6. Directors, Senior Management and Employees", as is information pertaining to our Audit Committee, Compensation Committee and Conflicts Committee.

iii. Appointment of Board Members

Our current bye-laws regulate the process of appointing Board Members. Reference is made to "Item 6. Directors, Senior Management and Employees", subsection "C. Board Practices" for information on specific rights concerning Terms of Office, the number of Board Members required in the Board of Directors and appointment procedures. Our current bye-laws have been included under "Item 10. Additional Information", subsection "B. Memorandum of Association and Bye-laws", and set out the full regulation of the procedures for the appointment of Board Members.

iv. Authorization to Acquire Treasury Shares

Pursuant to our current bye-laws, the Company has the power to purchase its own shares (treasury shares) for cancellation, as well as to hold such shares as treasury shares. The Board of Directors may exercise all powers of the Company to purchase or acquire its own shares, whether for cancellation or to be held as treasury shares in accordance with Bermuda law.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements” below.

ITEM 18. FINANCIAL STATEMENTS

Our Consolidated Financial Statements, together with the reports from PricewaterhouseCoopers LLP thereon, are filed as a part of this Annual Report, beginning on page F-1.

Pursuant to Rule 3-09, the Consolidated Financial Statements and the Management ICFR Report of Seadrill Partners LLC have been filed as a part of this Annual Report, beginning on page A-1.

ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	Memorandum of Association of New SDRL Limited (incorporated by reference to Exhibit 3.1 of the amended Registration Statement, filed on Form F-1 on July 18, 2018)
1.2	Bye-Laws of Seadrill Limited (incorporated by reference to Exhibit 3.2 of the amended Registration Statement, filed on Form F-1 on July 18, 2018)
1.3	Certificate of Incorporation on Name Change delivered July 2, 2018 (incorporated by reference to Exhibit 3.3 of the amended Registration Statement, filed on Form F-1 on July 18, 2018)
1.4	Certificate of Deposit of Memorandum of Increase of Share Capital delivered July 3, 2018 (incorporated by reference to Exhibit 3.4 of the amended Registration Statement, filed on Form F-1 on July 18, 2018)
2.1	Second Amended Joint Chapter 11 Plan (as modified) of Reorganization, as confirmed by the Bankruptcy Court on April 17, 2018 (incorporated by reference to Exhibit 2.1 of the amended Registration Statement, filed on Form F-1 on July 18, 2018).
2.2	Specimen Certificate evidencing common shares (incorporated by reference to Exhibit 4.1 of the amended Registration Statement, filed on Form F-1 on July 18, 2018)
2.3	Registration Rights Agreement (incorporated by reference to Exhibit 4.2 of the amended Registration Statement, filed on Form F-1 on July 18, 2018)
2.4	Investment Agreement (incorporated by reference to Exhibit 10.3 to Seadrill Limited's report on Form 6-K, filed on September 13, 2017).
2.5	Amendment, Assignment and Joinder Agreement in Respect of Investment Agreement (incorporated by reference to Exhibit 10.2 to Seadrill Limited's report on Form 6-K, filed on February 26, 2018).
2.6	Seadrill Limited Employee Incentive Plan (incorporated by reference to Exhibit 4.6 of the Form S-8 filed on August 29, 2018)
4.1	Omnibus Agreement among Seadrill Limited, Seadrill Partners LLC, Seadrill Member LLC, Seadrill Operating LP, Seadrill Operating GP LLC, and Seadrill Capricorn Holdings LLC, dated October 24, 2012 (incorporated by reference to Seadrill Limited's annual report on Form 20-F, filed on April 21, 2015).
4.2	Transaction Service Agreement
8.1	Subsidiaries of the Company
11.1	Code of Ethics
12.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
12.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
13.1	Certification of the Principal Executive Officer pursuant to 18 USC Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of the Principal Financial Officer pursuant to 18 USC Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Seadrill Limited consent of independent registered public accounting firm
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Schema Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Seadrill agrees to furnish to the SEC upon request any instrument with respect to long-term debt that Seadrill has not filed as an exhibit pursuant to the exemption provided by the general instructions to Item 19 of Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Seadrill Limited
(Registrant)

Date: April 2, 2020

By:	
Name:	Anton Dibowitz
Title:	Chief Executive Officer of Seadrill Management Ltd (Principal Executive Officer of Seadrill Limited)

Seadrill Limited
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Consolidated Financial Statements of Seadrill Limited

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Seadrill Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Seadrill Limited and its subsidiaries (Successor) (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2019 and for the period from July 2, 2018 to December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended December 31, 2019 and for the period from July 2, 2018 to December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis of Accounting

As discussed in Note 1 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of Texas Victoria Division confirmed the Company's Second Amended Joint Chapter 11 Plan of Reorganization (the "plan") on April 17, 2018. Confirmation of the plan resulted in the discharge of all claims against the Company that arose before September 12, 2017 and substantially alters or terminates rights and interests of equity security holders as provided for in the plan. The plan was substantially consummated on July 2, 2018 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of July 2, 2018.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of January 1, 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Emphasis of Matter

As discussed in Note 22 to the consolidated financial statements, the Company is in negotiations with its lenders to restructure its debt. Management's plans regarding this matter are also described in Note 22.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Uxbridge, United Kingdom

April 2, 2020

We have served as the Company's or its predecessor auditor since 2013.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Seadrill Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows of Seadrill Limited and its subsidiaries (Predecessor) (the "Company") for the period from January 1, 2018 to July 1, 2018 and for the year ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the period from January 1, 2018 to July 1, 2018 and for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

As discussed in Note 1 to the consolidated financial statements, the Company filed a petition on September 12, 2017 with the United States Bankruptcy Court for the Southern District of Texas Victoria Division for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Second Amended Joint Chapter 11 Plan of Reorganization was substantially consummated on July 2, 2018 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Uxbridge, United Kingdom

March 28, 2019

We have served as the Company's or its predecessor auditor since 2013.

Seadrill Limited
CONSOLIDATED STATEMENTS OF OPERATIONS
for the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor)
(In $ millions, except per share data)

		Successor		Predecessor	
	Notes	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Operating revenues					
Contract revenues		997	469	619	1,888
Reimbursable revenues	*	264	26	21	38
Other revenues	8 *	127	46	72	162
Total operating revenues		**1,388**	**541**	**712**	**2,088**
Operating expenses					
Vessel and rig operating expenses	*	(770)	(357)	(407)	(792)
Reimbursable expenses	*	(262)	(24)	(20)	(35)
Depreciation		(426)	(236)	(391)	(798)
Amortization of intangibles		(134)	(58)	—	—
Selling, general and administrative expenses	*	(130)	(62)	(100)	(277)
Total operating expenses		**(1,722)**	**(737)**	**(918)**	**(1,902)**
Other operating items					
Impairment of long lived assets		—	—	(414)	(696)
Loss on disposals	*	—	—	—	(245)
Other operating income	*	39	21	7	27
Total other operating items	9	**39**	**21**	**(407)**	**(914)**
Operating loss		**(295)**	**(175)**	**(613)**	**(728)**
Financial and other non-operating items					
Interest income	*	69	40	19	60
Interest expense	10 *	(487)	(261)	(38)	(285)
Loss on impairment of investments	11	(302)	—	—	(841)
Share in results from associated companies (net of tax)	18	(115)	(90)	149	174
(Loss)/gain on derivative financial instrument		(37)	(31)	(4)	11
Impairment of convertible bond from related party	*	(11)	—	—	—
Net (loss)/gain on debt extinguishment		(22)	—	—	19
Foreign exchange loss		(11)	(4)	—	(65)
Loss on marketable securities	15	(46)	(64)	(3)	—
Reorganization items, net	4	—	(9)	(3,365)	(1,337)
Other financial and non-operating items	*	(4)	(3)	—	(44)
Total financial and other non-operating items		**(966)**	**(422)**	**(3,242)**	**(2,308)**
Loss before income taxes		**(1,261)**	**(597)**	**(3,855)**	**(3,036)**
Income tax benefit/(expense)	12	39	(8)	(30)	(66)
Net loss		**(1,222)**	**(605)**	**(3,885)**	**(3,102)**
Net loss attributable to the parent		**(1,219)**	**(602)**	**(3,881)**	**(2,973)**
Net loss attributable to the non-controlling interest		**(1)**	**(2)**	**(6)**	**(129)**
Net (loss)/gain attributable to the redeemable non-controlling interest		**(2)**	**(1)**	**2**	**—**
Basic loss per share (U.S. dollar)		**(12.18)**	**(6.02)**	**(7.71)**	**(5.89)**
Diluted loss per share (U.S. dollar)		**(12.18)**	**(6.02)**	**(7.71)**	**(5.89)**

** Includes transactions with related parties. Refer to Note 31 "Related party transactions". See accompanying notes that are an integral part of these Consolidated Financial Statements.*

Seadrill Limited
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
for the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor)
(In $ millions)

	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Net loss	**(1,222)**	**(605)**	**(3,885)**	**(3,102)**
Other comprehensive (loss)/income, net of tax:				
Unrealized gain on marketable securities	—	—	—	14
Change in fair value of debt component of Archer convertible bond	3	(3)	—	—
Actuarial (loss)/gain relating to pensions	(1)	1	—	(3)
Unrealized gain on interest rate swaps in VIEs and subsidiaries	—	—	—	2
Share of other comprehensive loss from associated companies	(8)	(5)	—	(8)
Other comprehensive (loss)/income:	**(6)**	**(7)**	**—**	**5**
Total comprehensive loss for the period	**(1,228)**	**(612)**	**(3,885)**	**(3,097)**
Comprehensive loss attributable to the parent	**(1,225)**	**(609)**	**(3,881)**	**(2,976)**
Comprehensive loss attributable to the non-controlling interest	**(1)**	**(2)**	**(6)**	**(121)**
Comprehensive (loss)/income attributable to the redeemable non-controlling interest	**(2)**	**(1)**	**2**	**—**

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

Seadrill Limited
CONSOLIDATED BALANCE SHEETS
As at December 31, 2019 (Successor) and 2018 (Successor)
(In $ millions)

	Notes	Successor December 31, 2019	Successor December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		1,115	1,542
Restricted cash	14	135	461
Marketable securities	15	11	57
Accounts receivables, net	16	173	208
Amount due from related parties - current	31	181	177
Other current assets	17	158	322
Total current assets		**1,773**	**2,767**
Non-current assets			
Investment in associated companies	18	389	800
Drilling units	20	6,401	6,659
Restricted cash	14	107	—
Deferred tax assets	12	4	18
Equipment	21	23	29
Amount due from related parties - non-current	31	523	539
Other non-current assets	17	59	36
Total non-current assets		**7,506**	**8,081**
Total assets		**9,279**	**10,848**
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND EQUITY			
Current liabilities			
Debt due within one year	22	343	33
Trade accounts payable		86	82
Amounts due to related parties - current	31	19	39
Other current liabilities	23	322	310
Total current liabilities		**770**	**464**
Non-current liabilities			
Long-term debt	22	6,280	6,881
Long-term debt due to related parties	31	239	222
Deferred tax liabilities	12	12	87
Other non-current liabilities	23	128	121
Total non-current liabilities		**6,659**	**7,311**
Commitments and contingencies (see note 34)			
Redeemable non-controlling interest	27	**57**	**38**
EQUITY			
Common shares of par value US$0.10 per share: $0.10 per share: 138,880,000 shares authorized and 100,234,973 issued at December 31, 2019 (US$0.10 per share: 111,111,111 shares authorized and 100,000,000 issued at December 31, 2018)	25	10	10
Additional paid in capital		3,496	3,491
Accumulated other comprehensive loss		(13)	(7)
Retained loss		(1,851)	(611)
Total Shareholder's equity		**1,642**	**2,883**
Non-controlling interest	26	151	152
Total equity		**1,793**	**3,035**
Total liabilities, redeemable non-controlling interest and equity		**9,279**	**10,848**

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

Seadrill Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor)
(In $ millions)

	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Cash Flows from Operating Activities				
Net loss	**(1,222)**	**(605)**	**(3,885)**	**(3,102)**
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation	426	236	391	798
Amortization of deferred loan charges	—	—	—	27
Amortization of unfavorable and favorable contracts	134	58	(21)	(43)
Share of results from associated companies	115	90	(149)	(174)
Impairment of investments	302	—	—	841
Share-based compensation expense	5	—	3	7
Loss on disposals	—	—	—	245
Contingent consideration realized	—	—	(7)	(27)
Unrealized loss/(gain) related to derivative financial instruments	37	31	4	(76)
Loss on impairment of long-lived assets	—	—	414	696
Deferred tax (benefit)/expense	(61)	(22)	—	7
Unrealized foreign exchange gain on long-term debt	—	—	—	59
Amortization of discount on debt	36	23	—	—
Gain on derecognition of investment in associated company	—	—	—	(10)
Impairment of convertible bond from related party	11	—	—	—
Net loss/(gain) on debt extinguishment	22	—	—	(19)
Unrealized loss on marketable securities	46	64	3	—
Non-cash gain on liabilities subject to compromise	—	—	(2,977)	—
Fresh start valuation adjustments	—	—	6,142	—
Other re-organization items	—	—	6	1,274
Other	(3)	(3)	(1)	(2)
Other cash movements in operating activities				
Distributions received from associated companies	11	32	17	39
Payments for long-term maintenance	(114)	(71)	(78)	(58)
Settlement of payment-in-kind interest on Senior Secured Notes	(39)	—	—	—
Changes in operating assets and liabilities, net of effect of acquisitions and disposals				
Trade accounts receivable	35	64	29	167
Trade accounts payable	4	(31)	4	(9)
Prepaid expenses/accrued revenue	(1)	12	42	(66)
Deferred revenue	13	21	(23)	(107)
Related party receivables	(43)	7	(13)	(42)
Related party payables	(3)	54	(42)	(44)
Other assets	(12)	(20)	(62)	93
Other liabilities	45	34	(10)	(75)
Net cash (used in)/provided by operating activities	**(256)**	**(26)**	**(213)**	**399**

Seadrill Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor)
(In $ millions)

	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Cash Flows from Investing Activities				
Additions to newbuildings	—	—	(1)	(33)
Additions to drilling units and equipment	(48)	(27)	(48)	(59)
Refund of yard installments	—	—	—	25
Contingent consideration received	32	65	48	95
Settlement of *West Mira*	—	—	—	170
Sale of rigs and equipment	—	—	126	122
Buyout of guarantee	—	—	—	(28)
Investment in associated companies	(25)	—	—	—
Payments received from loans granted to related parties	15	23	24	66
Net cash (used in)/provided by investing activities	**(26)**	**61**	**149**	**358**
Cash Flows from Financing Activities				
Proceeds from debt	—	—	875	—
Repayments of secured credit facilities	(34)	(83)	(153)	(754)
Redemption of Senior Secured Notes	(333)	(121)	—	—
Debt fees paid	—	(4)	(35)	(53)
Repayments of debt to related party	—	—	—	(39)
Proceeds from issuance of shares	—	—	200	—
Net cash (used in)/provided by financing activities	**(367)**	**(208)**	**887**	**(846)**
Effect of exchange rate changes on cash and cash equivalents	3	(1)	(5)	5
Net (decrease)/increase in cash and cash equivalents, including restricted cash	**(646)**	**(174)**	**818**	**(84)**
Cash and cash equivalents, including restricted cash, at beginning of the year	2,003	2,177	1,359	1,443
Cash and cash equivalents, including restricted cash, at the end of year	**1,357**	**2,003**	**2,177**	**1,359**
Supplementary disclosure of cash flow information				
Interest paid, net of capitalized interest	(391)	(178)	(38)	(264)
Taxes paid	(36)	(16)	(22)	(119)

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

Seadrill Limited
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended December 31, 2019 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor), the period from July 2, 2018 through December 31, 2018 (Successor) and the year ended December 31, 2017 (Predecessor)
(In $ millions)

	Common shares	Additional paid in capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Retained Earnings	Total equity before NCI	Non-controlling interest	Total equity
Balance at December 31, 2016 (Predecessor)	**1,008**	**3,306**	**1,956**	**53**	**3,198**	**9,521**	**542**	**10,063**
Share-based compensation charge	—	7	—	—	—	**7**	—	**7**
Other comprehensive income	—	—	—	5	—	**5**	—	**5**
Distributions to non-controlling interests	—	—	—	—	—	**—**	(14)	**(14)**
Net loss	—	—	—	—	(2,973)	**(2,973)**	(129)	**(3,102)**
Balance at December 31, 2017 (Predecessor)	**1,008**	**3,313**	**1,956**	**58**	**225**	**6,560**	**399**	**6,959**
ASU 2016-01 - Financial Instruments	—	—	—	(31)	31	**—**	—	**—**
ASU 2016-16 - Income Taxes	—	—	—	—	(59)	**(59)**	(25)	**(84)**
ASU 2016-09 - Revenue from contracts	—	—	—	—	7	**7**	—	**7**
Share-based compensation charge	—	9	—	—	—	**9**	—	**9**
Reclassification of non-controlling interest	—	—	—	—	(43)	**(43)**	43	**—**
Revaluation of redeemable non-controlling interest	—	—	—	—	127	**127**	(150)	**(23)**
Net loss	—	—	—	—	(3,881)	**(3,881)**	(6)	**(3,887)**
Balance at July 1, 2018 (Predecessor)	**1,008**	**3,322**	**1,956**	**27**	**(3,593)**	**2,720**	**261**	**2,981**
Cancellation of Predecessor equity	(1,008)	(3,322)	(1,956)	(27)	3,593	**(2,720)**	(107)	**(2,827)**
Balance at July 1, 2018 (Predecessor)	**—**	**—**	**—**	**—**	**—**	**—**	**154**	**154**
Issuance of Successor common stock	10	3,491	—	—	—	**3,501**	—	**3,501**
Balance at July 2, 2018 (Successor)	**10**	**3,491**	**—**	**—**	**—**	**3,501**	**154**	**3,655**
Revaluation of redeemable non-controlling interest	—	—	—	—	(9)	**(9)**	—	**(9)**
Net Loss	—	—	—	—	(602)	**(602)**	(2)	**(604)**
Other comprehensive loss	—	—	—	(7)	—	**(7)**	—	**(7)**
Balance at December 31, 2018 (Successor)	**10**	**3,491**	**—**	**(7)**	**(611)**	**2,883**	**152**	**3,035**
Net Loss	—	—	—	—	(1,219)	**(1,219)**	(1)	**(1,220)**
Other comprehensive loss	—	—	—	(6)	—	**(6)**	—	**(6)**
Fair Value adjustment AOD Redeemable NCI	—	—	—	—	(21)	**(21)**	—	**(21)**
Share-based compensation charge	—	5	—	—	—	**5**	—	**5**
Balance at December 31, 2019 (Successor)	**10**	**3,496**	**—**	**(13)**	**(1,851)**	**1,642**	**151**	**1,793**

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

Seadrill Limited
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

Seadrill Limited is incorporated in Bermuda and is a publicly listed company on the New York Stock Exchange and the Oslo Stock Exchange. We provide offshore drilling services to the oil and gas industry. As at December 31, 2019 we owned and operated 35 offshore drilling units and an option to acquire one semi-submersible rig. Our fleet consists of drillships, jack-up rigs and semi-submersible rigs for operations in shallow and deepwater areas, as well as benign and harsh environments. We also provide management services to our related parties Seadrill Partners, SeaMex, Northern Drilling and Sonadrill.

As used herein, the term "Predecessor" refers to the financial position and results of operations of Seadrill Limited prior to, and including, July 1, 2018. This is also applicable to terms "we", "our", "Group" or "Company" in context of events prior to, and including, July 1, 2018. As used herein, the term "Successor" refers to the financial position and results of operations of Seadrill Limited (previously "New Seadrill") after July 1, 2018. This is also applicable to terms "Seadrill Limited", "we", "our", "Group" or "Company" in context of events after July 1, 2018.

The use herein of such terms as "Group", "organization", "we", "us", "our" and "its", or references to specific entities, is not intended to be a precise description of corporate relationships.

Basis of presentation

The Consolidated Financial Statements are presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The amounts are presented in United States dollar ("U.S. dollar" or "US$") rounded to the nearest million, unless otherwise stated.

The accompanying Consolidated Financial Statements present the financial position of Seadrill Limited, the consolidated subsidiaries and the group's interest in associated entities. Investments in companies in which we control, or directly or indirectly holds more than 50% of the voting control are consolidated in the Consolidated Financial Statements, as well as certain variable interest entities of which we are deemed to be the primary beneficiary.

Basis of consolidation

The Consolidated Financial Statements include the revenue, expenses, assets and liabilities of our principal holding company, our majority owned and controlled subsidiaries and certain variable interest entities ("VIE"s) in which we are deemed to be the primary beneficiary. Subsidiaries, even if fully owned, would be excluded from the Consolidated Financial Statements if we are not deemed to be the primary beneficiary as assessed under the variable interest model. All intercompany balances and transactions have been eliminated on consolidation.

A VIE is defined as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either (i) the power to direct the activities of the entity that most significantly impact on its economic success, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. U.S. GAAP requires a VIE to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact on the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity. We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we consolidate the entity. We have certain investments in the common stock or in-substance common stock of associated companies. Refer to Note 2 – Accounting policies for further information on our equity investments.

Bankruptcy accounting

As set out in Note 4 - Chapter 11 Proceedings, we operated as a debtor-in-possession from September 12, 2017 to July 2, 2018. During this period, we prepared our Consolidated Financial Statements under Accounting Standards Codification 852, Reorganizations ("ASC 852"). ASC 852 required that the financial statements distinguished transactions and events that were directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that were realized or incurred in the bankruptcy proceedings were recorded in "Reorganization items" on our Consolidated Statements of Operations. In addition, ASC 852 required changes in the accounting and presentation of significant items on the Consolidated Balance Sheets, particularly liabilities. Pre-petition obligations that may have been impacted by the Chapter 11 reorganization process were classified on the Consolidated Balance Sheets within "Liabilities subject to compromise".

Fresh Start Reporting

Upon emergence from bankruptcy on July 2, 2018 (the "Effective Date"), in accordance with ASC 852 related to fresh start reporting, Seadrill Limited became a new entity for financial reporting purposes. Upon adoption of fresh start reporting, our assets and liabilities were recorded at their fair values. We elected to apply fresh start reporting effective July 2, 2018 (the "Convenience Date") to coincide with the timing of our normal third quarter reporting period. We evaluated and concluded that events between July 1, 2018 and July 2, 2018 were immaterial and use of an accounting convenience date was appropriate. The fair values of our assets and liabilities differed materially from the recorded values of our assets and liabilities as reflected in the Predecessor historical Consolidated Balance Sheets. The effects of the Plan and the application of fresh start accounting were applied as of July 2, 2018 and the new basis of our assets and liabilities are reflected in our Consolidated Balance Sheet as of December 31, 2018 and the related adjustments thereto were recorded in the Consolidated Statement of Operations of the Predecessor as "Reorganization items", with the related predominantly deferred tax effects through "Income tax expense", during the period from January 1, 2018 through July 1, 2018.

Accordingly, our Consolidated Financial Statements subsequent to July 2, 2018 are not and will not be comparable to the Predecessor Consolidated Financial Statements prior to the Convenience Date. Our Consolidated Financial Statements and related footnotes are presented with a black line division which delineates the lack of comparability between amounts presented on July 2, 2018 and dates prior. Our financial results for future periods following the application of fresh start accounting will be different from historical trends and the differences may be material.

Out of period adjustment

The financial statements for the period from January 1, 2018 through July 1, 2018 (Predecessor) include an income tax expense of $18 million due to an adjustment in the income tax charge for a subsidiary related to prior years. We considered the effect of this prior period correction not to be material in the context of the overall results for the period from January 1, 2018 through July 1, 2018 (Predecessor), the year ended December 31, 2017 (Predecessor), or to any previously reported quarterly or annual financial statements.

Note 2 – Accounting policies

The accounting policies set out below have been applied consistently to all periods in these Consolidated Financial Statements, unless otherwise noted.

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States 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.

Foreign currencies

The majority of our revenues and expenses are denominated in U.S. dollars and therefore the majority of our subsidiaries use U.S. dollars as their functional currency. Our reporting currency is also U.S. dollars. For subsidiaries that maintain their accounts in currencies other than U.S. dollars, we use the current method of translation whereby the Statement of Operations are translated using the average exchange rate for the period and the assets and liabilities are translated using the year-end exchange rate. Foreign currency translation gains or losses on consolidation are recorded as a separate component of other comprehensive income in shareholders' equity.

Transactions in foreign currencies are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Gains and losses on foreign currency transactions are included in the Consolidated Statements of Operations.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Refer to Note 31 – Related Party Transactions.

Revenue from contracts with customers

The activities that primarily drive the revenue earned from our drilling contracts include (i) providing a drilling rig and the crew and supplies necessary to operate the rig, (ii) mobilizing and demobilizing the rig to and from the drill site and (iii) performing rig preparation activities and/or modifications required for the contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue. We account for these integrated services as a single performance obligation that is (i) satisfied over time and (ii) comprised of a series of distinct time increments.

We recognize consideration for activities that correspond to a distinct time increment within the contract term in the period when the services are performed. We recognize consideration for activities that are (i) not distinct within the context of our contracts and (ii) do not correspond to a distinct time increment, ratably over the estimated contract term.

We determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. The amount estimated for variable consideration may be constrained and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract. When determining if variable consideration should be constrained, we consider whether there are factors outside of our control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. We re-assess these estimates each reporting period as required. Refer to Note 7 - Revenue from Contracts with Customers.

Dayrate drilling revenue - Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization revenue - We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the mobilization of our rigs. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall performance obligation and recognized ratably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized ratably to contract drilling revenue as services are rendered over the initial term of the related drilling contract.

Demobilization revenue - We may receive fees (on either a fixed lump-sum or variable dayrate basis) for the demobilization of our rigs. Demobilization revenue expected to be received upon contract completion is estimated as part of the overall transaction price at contract inception and recognized over the term of the contract. In most of our contracts, there is uncertainty as to the likelihood and amount of expected demobilization revenue to be received. For example, the amount may vary dependent upon whether or not the rig has additional contracted work following the contract. Therefore, the estimate for such revenue may be constrained, as described above, depending on the facts and circumstances pertaining to the specific contract. We assess the likelihood of receiving such revenue based on past experience and knowledge of the market conditions.

Revenues related to reimbursable expenses - We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof are highly dependent on factors outside of our influence. Accordingly, reimbursable revenue is fully constrained and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenue at the gross amount billed to the customer, at a point in time, as “Reimbursable revenues” in our Consolidated Statements of Operations.

Local taxes - In some countries, the local government or taxing authority may assess taxes on our revenues. Such taxes may include sales taxes, use taxes, value-added taxes, gross receipts taxes and excise taxes. We generally record tax-assessed revenue transactions on a net basis.

Deferred contract expenses - Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of contracted rigs represent costs of fulfilling a contract as they relate directly to a contract, enhance resources that will be used in satisfying our performance obligations in the future and are expected to be recovered. Such costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract.

Other revenues

Other revenues consist of related party revenues, external management fees, and early termination fees. Refer to Note 8 – Other revenues.

Management fees - Revenues related to operation support and management services provided to Seadrill Partners, Seamex, Sonadrill & Northern Drilling. This includes both related and non-related companies.

Early termination fees - Other revenues also include amounts recognized as early termination fees under drilling contracts which have been terminated prior to the contract end date. Contract termination fees are recognized daily as and when any contingencies or uncertainties are resolved.

Vessel and Rig Operating Expenses

Vessel and rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked and include the remuneration of offshore crews and related costs, rig supplies, insurance costs, expenses for repairs and maintenance and costs for onshore support personnel. We expense such costs as incurred.

On emergence, we classified certain costs as "vessel and rig operating expenses" that are directly attributable to rig activities and had previously been classified as "selling, general and administrative expenses" in our Consolidated Statements of Operations.

Mobilization and demobilization expenses

We incur costs to prepare a drilling unit for a new customer contract and to move the rig to a new contract location. We capitalize the mobilization and preparation costs for a rig's first contract as a part of the rig value and recognize them as depreciation expense over the expected useful life of the rig (i.e. 30 years). For subsequent contracts, we defer these costs over the expected contract term (see deferred contract costs above), unless we don't expect the costs to be recoverable, in which case we expense them as incurred.

We incur costs to transfer a drilling unit to a safe harbor or different geographic area at the end of a contract. We expense such demobilization costs as incurred. We also expense any costs incurred to relocate drilling units that are not under contract.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized and amortized over the anticipated period between overhauls, which is generally five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. We include amortization costs for periodic overhauls in depreciation expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

Income taxes

Seadrill is a Bermudan company that has subsidiaries and affiliates in various jurisdictions. Currently, Seadrill and our Bermudan subsidiaries and affiliates are not required to pay taxes in Bermuda on ordinary income or capital gains as they qualify as exempt companies. Seadrill and our subsidiaries and affiliates have received written assurance from the Minister of Finance in Bermuda that we will be exempt from taxation until March 2035. Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. Our income tax expense is based on our income and statutory tax rates in the various jurisdictions in which we operate. We provide for income taxes based on the tax laws and rates in effect in the countries in which operations are conducted and income is earned. Refer to Note 12 – Taxation.

The determination and evaluation of our annual group income tax provision involves interpretation of tax laws in various jurisdictions in which we operate and requires significant judgment and use of estimates and assumptions regarding significant future events, such as amounts, timing and character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognize tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authorities widely understood administrative practices and precedence. Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year. While our annual tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current year, withholding taxes, changes in prior year tax estimates as tax returns are filed, or from tax audit adjustments.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules. We recognize the income tax effects of intercompany sales or transfers of assets, other than inventory, in the Consolidated Statement of Operations as income tax expense (or benefit) in the period of sale or transfer occurs.

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as at the valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities, or valuation allowances. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

Loss per share

Basic loss per share ("**LPS**") is calculated based on the loss for the period available to common stockholders divided by the weighted average number of shares outstanding. Diluted loss per share includes the effect of the assumed conversion of potentially dilutive instruments such as our restricted stock units. The determination of dilutive loss per share may require us to make adjustments to net loss and the weighted average shares outstanding. Refer to Note 13 – Loss per share.

Current and non-current classification

Generally, assets and liabilities (excluding deferred taxes and liabilities subject to compromise) are classified as current assets and liabilities respectively if their maturity is within one year of the balance sheet date. In addition, we classify any derivative financial instruments whose fair value is a net liability as current.

Generally, assets and liabilities are classified as non-current assets and liabilities respectively if their maturity is beyond one year of the balance sheet date. In addition, we classify loan fees based on the classification of the associated debt principal and we classify any derivatives financial instruments whose fair value is a net asset as current.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and highly liquid financial instruments with maturities of three months or less.

Restricted cash

Restricted cash consists of bank deposits which are subject to restrictions due to legislation, regulation or contractual arrangements. Restricted cash amounts with maturities longer than one year are classified as non-current assets. Refer to Note 14 – Restricted cash.

Receivables

Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount less an allowance for doubtful accounts. We establish reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, we consider the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off. Interest income on receivables is recognized as earned. Refer to Note 16 – Accounts receivable & Note 31 – Related party transactions.

Contract assets and liabilities

Accounts receivables (see above) are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. If we are required to recognize revenue ahead of this point, we categorize the balance as a contract asset. Contract asset balances consist primarily of demobilization revenues which have been recognized during the period but are contingent on future demobilization activities.

Contract liabilities include payments received for mobilization as well as rig preparation and upgrade activities which are allocated to the overall performance obligation and recognized ratably over the initial term of the contract.

Equity investments

Investments in common stock are accounted for using the equity method of accounting if the investment gives us the ability to exercise significant influence, but not control over, the investee. Significant influence is generally deemed to exist if our ownership interest in the voting stock of the investee is between 20% and 50%, although other factors such as representation on the investee's Board of Directors and the nature of commercial arrangements are also considered. We classify our other equity investments either as "Marketable Securities" or "Investments in Associated Companies" depending on their nature. We classify our share of earnings or losses from our equity method investments in the Consolidated Statements of Operations as "Share in results from associated companies". We record gains or losses on investments held fair value as "Loss on Marketable Securities". Refer to Note 15 – Marketable securities and Note 18 – Investment in associated companies.

We analyze our equity method investments for impairment at each reporting period to evaluate whether an event or change in circumstances has occurred in that period that may have a significant adverse effect on the value of the investment. We record an impairment charge for other-than-temporary declines in value when the value is not anticipated to recover above the cost within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required. If an impairment charge is recorded, subsequent recoveries in value are not reflected in earnings until sale of the equity method investee occurs.

All other equity investments, which consist of investments that do not gives us the ability to exercise significant influence as well as investments in equity instruments other than common stock, are accounted for at fair value, if readily determinable. If we can't readily ascertain the fair value, we record the investment at cost less impairment. We perform a qualitative impairment analysis for our equity investments recorded at cost at each reporting period to evaluate whether an event or change in circumstances has occurred in that period that indicates that the investment's is impaired. If an event or change in circumstances has occurred in that period that indicates that the investment's is impaired, then we record an impairment charge for the difference between the estimated fair value of the investment and its carrying amount.

For periods before we adopted ASU 2016-01, we reviewed our marketable securities for other-than-temporary impairment at each reporting date. Refer to Note 11 - Impairment loss on investments in associated companies for details.

Newbuildings

Generally, the carrying value of drilling units under construction ("Newbuildings") represents the accumulated costs at the balance sheet date. Cost components usually include payments for yard installments and variation orders, construction supervision, equipment, spare parts, capitalized interest, costs related to first time mobilization and commissioning costs. During construction, capitalized interest of newbuildings is based on accumulated expenditures for the applicable project at our current rate of borrowing. The amount of interest expense capitalized in an accounting period is determined by applying the interest rate ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. We don't capitalize amounts beyond the actual interest expense incurred in the period.

We ceased capitalization of interest on newbuildings when we operated as a debtor-in-possession as interest payments made during bankruptcy proceedings were treated as adequate protection payments. On emergence from Chapter 11, the Newbuildings carrying value was adjusted to a fair value of nil. In addition, we have not capitalized interest since emergence as work on our Newbuild projects had substantially ceased. Refer to Note 5 – Fresh Start Accounting and Note 19 – Newbuildings.

Drilling units

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets, less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated residual value is taken to be offset by any decommissioning costs that may be incurred. The estimated economic useful life of our floaters and, jack-up rigs, when new, is 30 years. The direct and incremental costs of significant capital projects, such as rig upgrades and reactivation projects, are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset. Refer to Note 20 – Drilling units.

Drilling units recognized through a business combination or through the application of fresh start accounting are measured at fair value as of the date of acquisition or the date of emergence, respectively. Cost of property and equipment sold or retired, with the related accumulated depreciation and write-downs are removed from the Consolidated Balance Sheet, and resulting gains or losses are included in the Consolidated Statement of Operations.

Assets held for sale

Assets are classified as held for sale when all of the following criteria are met: Management, having the authority to approve the action, commits to a plan to sell the asset (disposal group), the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated, the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within 1 year. The term probable refers to a future sale that is likely to occur, the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and is depreciated over its estimated remaining useful life. The estimated economic useful life of equipment, when new, is between 3 and 5 years depending on the type of asset. Refer to Note 21 – Equipment.

Leases

Lessee - When we enter into a new contract, or modify an existing contract, we identify whether that contract has a finance or operating lease component. We do not have, nor expect to have any leases classified as finance leases. At the lease commencement date, we measure and recognize a lease liability and a right of use ("**ROU**") asset in the financial statements. The lease liability is measured at the present value of the lease payments not yet paid, discounted using the estimated incremental borrowing rate ("**IBR**") at lease commencement. The ROU asset is measured at the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date, minus any lease incentives received, plus any initial direct costs incurred by us.

After the commencement date, we will adjust the measurement of the lease liability by the amount of payments made in the period as well as the unwinding of the discount over lease term using the interest method. After commencement date, we will subsequently adjust the measurement of the ROU asset by amortizing the ROU asset by the amount required to keep total lease expense including interest constant (straight-line over the lease term).

Absent an impairment of the ROU asset, the single lease cost is calculated so that the remaining cost of the lease is allocated over the remaining lease term on straight-line basis. Seadrill will determine whether a ROU asset is impaired and shall recognize any impairment loss in accordance with the company policy on impairment of long-lived assets. If a ROU asset is determined to be impaired, then it will be measured at its carrying amount immediately after the impairment less any accumulated amortization. After a ROU asset has been impaired, we will unwind the remaining asset on a straight-line basis over the remaining lease term.

Lessor - When we enter into a new contract, or modify an existing contract, we identify whether that contract has a sales-type, direct financing or operating lease. We do not have, nor expect to have any leases classified as sales-type or direct financing. For our operating lease, the underlying asset remains on the balance sheet and we record periodic depreciation expense and lease revenue.

Impairment of long-lived assets

We review the carrying value of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. We first assess recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the undiscounted future net cash flows are less than the carrying value of the asset, then we compare the carrying value of the asset with the discounted future net cash flows, using a relevant weighted-average cost of capital. The impairment loss to be recognized during the period, will be the amount which the carrying value of the asset exceeds the discounted future net cash flows.

Other intangible assets and liabilities

Intangible assets and liabilities were recorded at fair value on the date of emergence less accumulated amortization. The amounts of these assets and liabilities less the estimated residual value, if any, is generally amortized on a straight-line basis over the estimated remaining economic useful life or contractual period. For periods after emergence we have applied a new accounting policy to classify amortization of these intangible assets and liabilities within operating expenses. Our intangible assets include favorable and unfavorable drilling contracts and management services contracts. Refer to Note 17 – Other assets. Our intangible liabilities include unfavorable drilling contracts and unfavorable leasehold improvements. Refer to Note 23 – Other liabilities.

Prior to emergence, we classified the amortization of these intangible assets or liabilities within other revenues.

Derivative financial instruments and hedging activities

None of our derivative financial instruments have been formally designated as a hedging instruments, and therefore are recorded at fair value. Changes in fair value are recorded as a gain or loss as a separate line item within "financial items" in the Consolidated Statements of Operations. Refer to Note 32 – Financial instruments and risk management and Note 33 - Fair values of financial instruments.

Trade payables

Trade payables are recorded in the balance sheet to recognize a liability to a supplier for a good or service they have provided us.

Deferred charges

Loan related costs, including debt issuance, arrangement fees and legal expenses, are capitalized and presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, amortized over the term of the related loan and the amortization is included in interest expense. On emergence from Chapter 11, our loan costs were reduced to nil and we recorded a discount against our debt to reduce its carrying value to equal its fair value. The debt discount will be unwound over the remaining terms of the debt facilities. Refer to Note 5 – Fresh Start Accounting and Note 10 – Interest expense.

Debt

We have financed a significant proportion of the cost of acquiring our fleet of drilling units through the issue of debt instruments. At the inception of a term debt arrangement, or whenever we make the initial drawdown on a revolving debt arrangement, we will incur a liability for the principal to be repaid. On emergence from Chapter 11, we issued new debt instruments and the carrying values of our third-party debt liabilities were adjusted to fair value. Refer to Note 5 – Fresh start accounting and Note 22 – Debt for more information on our debt instruments.

Pension benefits

We have several defined benefit pension plans, defined contribution pension plans and other post-employment benefit obligations which provide retirement, death and early termination benefits. We record the service cost, as “Vessel and rig operating expenses” or as "Selling, general and administrative expenses" in our Consolidated Statements of Operations depending on the whether or not the related employee's role is directly attributable to rig activities. We record the actuarial gains and losses in the Consolidated Statements of Operations when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10 percent of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These actuarial gains and losses are recognized over the expected remaining working lives of the employees participating in the plans. Otherwise, recognition of actuarial gains and losses is included in other comprehensive income. Refer to Note 30 - Pension benefits for more information on the accounting for these pension benefits / pension expense.

Loss contingencies

We recognize a loss contingency in the Consolidated Balance Sheets where we have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Refer to Note 34 – Commitments and contingencies.

Treasury shares

Treasury shares are recognized at cost as a component of equity. We record the nominal value of treasury shares purchased as a reduction in share capital. The amount paid in excess of the nominal value is treated as a reduction of additional paid-in capital. On emergence from Chapter 11, we no longer had any treasury shares.

Share-based compensation

Since emerging from Chapter 11, we have made several awards under our employee benefit plan (see Note 29 – Share based compensation). We record an accounting charge equal to the fair value of awards that are expected to vest. The expense is classified as compensation cost and recognized ratably over the vesting period. The offsetting entry is recorded directly to equity.

Note 3 - Recent Accounting Standards

1) Recently adopted accounting standards

We adopted the following accounting standard updates ("**ASUs**") in the year:

a) ASU 2016-02 Leases *(also 2018-10, 2018-11, 2018-20, 2019-01 & 2019-10)*

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance became effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years using a modified retrospective application.

We transitioned to the new standard using the modified retrospective approach as permitted by the standard. We determined that our drilling contracts contain a lease component (from a lessor perspective) as well as a revenue component. We have elected to apply the practical expedient provided to lessors and will not separate the lease and nonlease components within our drilling contracts. We will continue to apply the Topic 606 to our drilling contracts instead of Topic 842 because the nonlease component is the predominant component within our drilling contracts. As a result, our pattern of revenue recognition did not change significantly compared to prior accounting standards due to the adoption of this update.

In addition, within our operating leases, where we are lessees, we elected not to separate nonlease components from lease components and instead we account for each separate lease component and the nonlease components associated with that lease component as a single lease component in accordance with Topic 842. We have also elected not to apply the recognition requirements in Topic 842 to short-term leases, being leases lasting less than one year. Instead, we recognize short-term lease payments in our Consolidated Statement of Operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

We recognized an aggregate lease liability of $25 million and a right-of-use asset of $23 million on adoption on January 1, 2019. There was no impact to our opening retained earnings as a result of adopting this update. Prior period amounts are not adjusted and continue to be reported in accordance with the previous guidance in Topic 840.

b) Other accounting standard updates

We additionally adopted the following accounting standard updates in the year which did not have any material impact on our Consolidated Financial Statements and related disclosures:

- *ASU 2018-07 Compensation - Stock compensation (Topic 718)*
- *ASU 2018-16 Derivatives and Hedging (Topic 815)*

2) Recently issued accounting standards

We have kept abreast of recently issued ASUs by the FASB that we have not yet adopted but which could affect our Consolidated Financial Statements and related disclosures in future periods:

a) ASU 2016-13 - Financial Instruments - Measurement of Credit Losses *(Also 2019-04, 2019-05, 2019-10 & 2019-11)*

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach to estimate expected lifetime credit losses (CECL model) on financial assets ranging from short term trade accounts receivable to long-term financings and modifies the impairment model for available-for-sale debt securities. In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, which provides additional guidance on the accounting for credit losses. In May 2019, the FASB issued ASU 2019-05, Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief, which provides transition guidance for entities to elect the fair value option of certain financial instruments. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted only from January 1, 2019. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as at the beginning of the first reporting period in which the guidance is adopted.

We are in the process of evaluating the impact of this standard update. Financial assets held by us subject to evaluation under the CECL model include our external trade receivables and related party receivables (See Note 31 for details). Our external customers are international oil companies, national oil companies and large independent oil companies with high credit standing and with whom we have had a low incidence of bad debt expense. Therefore we do not expect this guidance to create any significant reserve on our external receivables. We are however expecting to establish an allowance on our loans and trade receivables due from related parties under the new guidance to reflect the current financial position of the counterparties. We estimate that we will record an initial reserve in the range of $75 - $135 million, which will be booked in a credit loss allowance account as an offset to equity. The allowance will be reassessed quarterly with any adjustment to the reserve recorded as credit loss expense in the P&L.

b) ASU 2018-13 Fair Value Measurement - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update is intended to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the US GAAP information requirements that are most important to users of an entity's financial statements. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The guidance is expected to result in the following additional disclosures; 1) The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; 2) The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements; 3) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances for each class of assets and liabilities, except for derivative assets and liabilities, which may be presented net. We continue to evaluate the impact of this standard update on our consolidated financial statements and related disclosures.

c) ASU 2018-14 Compensation - Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans. The update is intended to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the US GAAP information requirements that are most important to users of an entity's financial statements. The guidance will be effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. We are in the process of evaluating the impact of this standard update on our consolidated financial statements and related disclosures.

d) ASU 2018-15 Intangibles

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force). The update is intended to provide additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. We are in the process of evaluating the impact of this standard update on our consolidated financial statements and related disclosures.

e) ASU 2018-17 Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. The update is intended to improve general purpose financial reporting by considering indirect interests held through related parties in common control arrangements on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. We are in the process of evaluating the impact of this standard update on our consolidated financial statements and related disclosures.

f) ASU 2019-08 Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)

In November 2019, the FASB issued ASU 2019-08. The amendments in this Update require that an entity measure and classify share-based payment awards granted to a customer by applying the guidance in Topic 718. The amount recorded as a reduction of the transaction price is required to be measured on the basis of the grant-date fair value of the share-based payment award in accordance with Topic 718, not as a reduction of transaction price at contract inception under ASC 606. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. We are in the process of evaluating the impact of this standard update on our consolidated financial statements and related disclosures.

g) ASU 2019-12 Income Taxes (Topic 740) - Simplifying the accounting for income taxes

In December 2019, the FASB issued ASU 2019-12. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The guidance will be effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. We are in the process of evaluating the impact of this standard update on our consolidated financial statements and related disclosures.

h) Other accounting standard updates issued by the FASB

As of February 29, 2019, the FASB have issued several further updates not included above. We do not currently expect any of these updates to affect our Consolidated Financial Statements and related disclosures either on transition or in future periods.

Note 4 - Chapter 11 Proceedings

In this note we have provided an overview of our Chapter 11 Reorganization and related transactions.

Overview

Prior to the filing of Chapter 11 Proceedings (as defined below), we were engaged in extensive discussions with our secured lenders, certain holders of our unsecured bonds and potential new money investors regarding the terms of a comprehensive restructuring. The objectives of the restructuring were to build a bridge to a recovery and achieve a sustainable capital structure. To achieve this, we had proposed an extension to our bank maturities, reduced debt amortization payments, amendments to financial covenants and raising of new capital.

On September 12, 2017, Old Seadrill Limited, certain of its subsidiaries (together "the **Company Parties**") and certain Ship Finance companies entered into a restructuring support and lock-up agreement ("**RSA**") with a group of bank lenders, bondholders, certain other stakeholders, and new-money providers. In connection with the RSA, the Company Parties entered into an "**Investment Agreement**" under which Hemen Investments Limited, an affiliate of Old Seadrill Limited's largest shareholder Hemen Holding Ltd. and certain other commitment parties, committed to provide $1.06 billion in new cash commitments, subject to certain terms and conditions (the "**Capital Commitment**").

On September 12, 2017, to implement the transactions contemplated by the RSA and Investment Agreement, Old Seadrill Limited and certain of its subsidiaries (the "**Debtors**") commenced prearranged reorganization proceedings (the "**Chapter 11 Proceedings**") under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas Victoria Division. During the bankruptcy proceedings, the Debtors continued to operate the business as debtors in possession.

After September 12, 2017, the Debtors negotiated with their various creditors and on February 26, 2018 announced a "**Global Settlement"**, following which there were amendments to the RSA and Investment Agreement. These amendments provided for, amongst other things, the inclusion of certain other creditors as Commitment Parties, an increase of the Capital Commitment to $1.08 billion, increased recoveries for general unsecured creditors under the Plan and an agreement regarding allowed claims from certain newbuild shipyards.

On February 26, 2018, the Debtors filed a proposed Second Amended Joint Chapter 11 Plan of Reorganization (the "**Plan**") with the Bankruptcy Court. The Plan was confirmed by the Bankruptcy Court on April 17, 2018. The Plan became effective and the Debtors emerged from Chapter 11 Proceedings on July 2, 2018 (the "**Effective Date**").

The Plan extinguished approximately $2.4 billion in unsecured bond obligations, more than $1.0 billion in contingent newbuild obligations, substantial unliquidated guarantee obligations, and approximately $250 million in unsecured interest rate and currency swap claims, while extending near term debt maturities, providing Seadrill with over $1.0 billion in new capital and leaving employee, customer and ordinary trade claims largely unimpaired.

Key terms of the Plan of Reorganization

As set out above, the Plan was confirmed by the Bankruptcy Court on April 17, 2018 and became effective when the Debtors emerged from Chapter 11 Proceedings on July 2, 2018. The Plan provided for, among other things, that:

- There was a corporate reorganization whereby Seadrill Limited became the ultimate parent holding company of Old Seadrill Limited's subsidiaries.
- The Commitment Parties and subscribers to an equity rights offering subscribed for a total 23,750,000 shares in Seadrill Limited for aggregate consideration of $200 million.
- The Commitment Parties and subscribers to a notes rights offering subscribers purchased a total $880 million principal amount of New Secured Notes and were issued 54,625,000 shares in Seadrill Limited for an aggregate consideration of $880 million.
- The holders of general unsecured claim were issued 14,250,000 shares in Seadrill Limited.
- The former holders of Old Seadrill Limited Equity and certain other claimants were issued 1,900,000 shares in Seadrill Limited.
- Certain Commitment Parties received a fee of 475,000 shares in Seadrill Limited and Hemen received a fee of 5,000,000 shares in Seadrill Limited.
- An employee incentive plan was implemented (the “Employee Incentive Plan”) which reserved an aggregate of 10% of the Seadrill Limited Shares, for grants to be made from time to time to Seadrill employees and other parties.

This is summarized in the below table:

		Percentage		
Recipient of Common Shares	**Number of shares**	**Prior to dilution by Primary Structuring Fee and the shares reserved under the Employee Incentive Plan**	**Prior to dilution by the shares reserved under the Employee Incentive Plan**	**Fully diluted**
Commitment Parties (in exchange for cash paid pursuant to the Investment Agreement) and Equity Rights Offering Subscribers	23,750,000	25.00%	23.75%	21.38%

Recipient of Common Shares	Number of shares	Percentage: Prior to dilution by Primary Structuring Fee and the shares reserved under the Employee Incentive Plan	Percentage: Prior to dilution by the shares reserved under the Employee Incentive Plan	Percentage: Fully diluted
Recipients of Senior Secured Notes (including Commitment Parties and Notes Rights Offering Subscribers)	54,625,000	57.50%	54.63%	49.16%
Holders of General Unsecured Claims	14,250,000	15.00%	14.25%	12.82%
Former Holders of Old Seadrill Limited Equity and Seadrill Limited 510(b) Claimants	1,900,000	2.00%	1.90%	1.71%
Fees to Select Commitment Parties	475,000	0.50%	0.47%	0.43%
All creditors, excluding Primary Structuring Fee	**95,000,000**	**100.00%**	**95.00%**	**85.50%**
Hemen (on account of Primary Structuring Fee)	5,000,000	-	5.00%	4.50%
Total, prior to dilution by shares reserved under the Employee Incentive Plan	**100,000,000**	**-**	**100.00%**	**90.00%**
Reserved for the Employee Incentive Plan	11,111,111	-	-	10.00%
Total, fully diluted	**111,111,111**	**-**	**-**	**100.00%**

Reorganization items

Expenses and income directly associated with the Chapter 11 cases are reported separately in the Consolidated Statement of Operations as "Reorganization items" as required by ASC 852, *Reorganizations*. This category was used to reflect the net expenses and gains and losses that are the result of the reorganization of the business.

The following table summarizes the components included within reorganization items:

(In $ millions)	Successor: Year ended December 31, 2019	Successor: Period from July 2, 2018 through December 31, 2018	Predecessor: Period from January 1, 2018 through July 1, 2018	Predecessor: Year ended December 31, 2017
Professional and advisory fees	—	(9)	(187)	(66)
New investor commitment fees	—	—	—	(53)
Loss on Newbuilding global settlement claim	—	—	—	(1,064)
Loss on other pre-petition allowed claims	—	—	—	(3)
Gain on liabilities subject to compromise	—	—	2,958	—
Fresh start valuation adjustments	—	—	(6,142)	—
Write-off of debt issuance costs	—	—	—	(66)
Reversal of credit risk on derivatives	—	—	—	(89)
Interest income on surplus cash invested	—	—	6	4
Total reorganization items, net	**—**	**(9)**	**(3,365)**	**(1,337)**

i. Advisory and professional fees

Professional and advisory fees incurred for post-petition Chapter 11 expenses. Professional and advisory expenses have been incurred post-emergence but relate to our Chapter 11 filing.

ii. New investor commitment fees

Commitment fee of 5% of the committed funds agreed under the terms of the investment agreement.

iii. Loss on Newbuilding global settlement claim

Under the Bankruptcy Code, the Debtors had the right to reject certain contracts, subject to the approval of the Bankruptcy Court and certain other conditions. Subject to certain exceptions, this rejection relieves the debtor from performing its future obligations under the contract but entitles the counterparty to assert a pre-petition general unsecured claim for damages. As part of the Global Settlement Agreement, it was agreed that the Debtors would reject and terminate the newbuild contracts for the drillships *West Dorado*, *West Libra*, *West Aquila* and *West Libra*. In return the newbuild shipyards Samsung and DSME received an allowed claim for $1,064 million. In addition to the re-organization expense shown above, we also recorded a non-cash impairment charge against these Newbuild assets of $696 million at December 31, 2017. Refer to Note 19 - Newbuildings for further details.

iv. Gain on liabilities subject to compromise

On emergence from Chapter 11 we settled our liabilities subject to compromise in accordance with the Plan. This includes settlement on our unsecured bonds, Newbuild global settlement claim (see above) and interest rate and cross-currency interest rate swaps. Refer to Note 5 – Fresh Start Accounting for further information.

v. Fresh start valuation adjustments

On emergence from Chapter 11, our assets and liabilities were recorded at fair value in accordance with ASC 852 related to fresh start reporting. The effects of the application of fresh start accounting were applied as of July 2, 2018 and the new basis of our assets and liabilities are reflected in the Consolidated Balance Sheet as of December 31, 2018 (Successor) and the related adjustments thereto were recorded in the Consolidated Statement of Operations in the Predecessor. Refer to Note 5 – Fresh Start Accounting for further information.

vi. Write-off of debt issuance costs

On filing for Chapter 11, $66 million of unamortized debt issuance costs on the impaired secured credit facilities and unsecured bonds were expensed.

vii. Reversal of credit risk on derivatives

The filing for Chapter 11 triggered an event of default under our derivative agreements, and therefore our interest rate and cross-currency interest rate swaps were held at a terminated value. As such, any credit risk adjustment on these arrangements was taken to the Consolidated Statement of Operations.

viii. Interest income on surplus cash invested

Interest income recognized on cash held within entities that had filed for Chapter 11.

Note 5 – Fresh Start Accounting

Fresh Start Accounting

Upon emergence from bankruptcy, we applied fresh start accounting to our financial statements in accordance with the provision set forth in ASC852 as (i) the holders of existing voting shares of the Company prior to emergence received less than 50% of the voting shares of the Company outstanding following its emergence from bankruptcy and (ii) the reorganization value of the Company's assets immediately prior to confirmation of the plan of reorganization was less than the post-petition liabilities and allowed claims.

We elected to apply fresh start accounting effective July 2, 2018 (the "Convenience Date"), to coincide with the timing of the normal third quarter reporting period, which resulted in Seadrill becoming a new entity for financial reporting purposes. We evaluated and concluded that events between July 1, 2018 and July 2, 2018 were immaterial and that the use of an accounting Convenience Date of July 1, 2018 was appropriate. The effects of the Plan and the application of fresh start accounting were applied as of July 2, 2018 and the new basis of our assets and liabilities are reflected in our Consolidated Balance Sheet as of December 31, 2018 and the related adjustments thereto were recorded in the Consolidated Statement of Operations of the Predecessor as "Reorganization items" during the period from January 1, 2018 through July 1, 2018. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, the Consolidated Financial Statements for the period after July 2, 2018 (the "Successor") will not be comparable with the Consolidated Financial Statements prior to that date.

Reorganization Value

Reorganization value represents the fair value of the Successor Company's total assets and is intended to approximate to the amount a willing buyer would pay for the assets immediately after restructuring. Under fresh start accounting, we are required to allocate the reorganization value to individual assets based on their estimated fair values.

The Plan presented on February 26, 2018, and confirmed by the Bankruptcy Court on April 17, 2018, estimated a range of distributable value for the Successor Company of between $10.2 billion and $11.8 billion. We derived the reorganization value based on the mid-point of this range of estimated distributable values. This was approximately $11.0 billion. Fair values are inherently subject to significant uncertainties and contingencies beyond our control. Accordingly, there can be no assurance that the estimates, assumptions, valuations, and financial projections will be realized, and actual results could vary materially.

Valuation of Drilling Units

Our principal assets comprise our fleet of drilling units. With the assistance of valuation experts, we determined a fair value of these drilling units based primarily on an income approach utilizing a discounted cash flow analysis. We established an estimate of future cash flows for the period ranging from emergence to the end of life for each rig and discounted the estimated future cash flows to present value. The expected cash flows used in the discounted cash flows were derived from earnings forecasts and assumptions regarding growth and margin projections.

A discount rate of 11.4% was estimated based on an after-tax weighted average cost of capital ("WACC") reflecting the rate of return that would be expected by a market participant. The WACC also takes into consideration a company specific risk premium reflecting the risk associated with the overall uncertainty of the financial projects used to estimate future cash flows. We used a replacement cost approach to value capital spares and other property plant, and equipment.

Valuation of Equity Method Investments

The fair value of equity method investments was derived using an income approach, which discounts future free cash flows. The estimated future free cash flows associated with the investments were primarily based on expectations around applicable day rates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures, applicable tax rates and industry conditions. The cash flows were estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total, and discounted using an estimated market participant WACC as follows:

Investment	**WACC**
Seadrill Capricorn Holdings LLC	11.4%
Seadrill Operating LP	12.0%
Seadrill Deepwater Drillship Ltd	12.0%
Seabras Sapura Holding	14.3%
Seabras Sapura Participacoes	13.7%
SeaMex	12.7%

The discounted cash flow model derived an enterprise value of the investments, after which associated net debt was subtracted to provide equity values. The implied valuation of the direct ownership interests in Seadrill Partners derived from the discounted cash flow model was crosschecked against the market price of Seadrill Partners' common units. Due to the significant influence we have on Seadrill Partners, there is an implied significant influence premium, which represents the additional value we would place over and above the market price of Seadrill Partners in order to maintain this significant influence. This is similar in thought to an implied control premium. We have evaluated the difference by reviewing the implied control premium as compared to other market transactions within the industry. We deem the implied control premium to be reasonable in the context of the data considered.

Valuation of debt

We recorded third party and related party debt obligations at a fair value of $7.3 billion which we determined using an income approach. We are amortizing the difference between the $7.6 billion face amount and the fair value recorded in fresh start accounting over the life of the debt. We estimated the fair value of the debt using Level 2 inputs.

For further information on fresh start accounting, please refer to the Seadrill Limited Annual Report on Form 20-F for the year ended December 31, 2018.

Reconciliation of distributable value to fair value of Successor common stock

The following table reconciles the distributable value to the estimated fair value of Successor common stock as at the Effective Date:

(In $ millions)	**As at July 2, 2018**
Distributable value	11,056
Less: non-controlling interest	(154)
Less: fair value of debt	(7,301)
Less: fair value of other non-operating liabilities	(108)
Add: fair value of tax attributes	8
Fair value of Successor common stock issued upon emergence	**3,501**
Shares issued and outstanding on July 2, 2018	**100.0**
Per share value	**35.01**

Reorganization value and distributable value were estimated using numerous projections and assumptions that are inherently subject to significant uncertainties and resolution of contingencies that are beyond our control. Accordingly, the estimates set forth herein are not necessarily indicative of actual outcomes, and there can be no assurance that the estimates, projections or assumption will be realized.

The following table reconciles the distributable value to the estimated reorganization value as at the Effective Date:

(In $ millions)	As at July 2, 2018
Distributable value	11,056
Add: other working capital liabilities	478
Add: other non-current operating liabilities	57
Add: fair value of tax attributes	8
Add: redeemable non-controlling interest	30
Total reorganization value	**11,629**

Consolidated Balance Sheet

The adjustments included in the following Consolidated Balance Sheet reflect the effects of the consummation of the transactions contemplated by the Reorganization Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments"). The explanatory notes highlight methods used to determine fair values or other amounts of the assets and liabilities as well as significant assumptions or inputs.

	As of July 1, 2018					
(In $ millions)	Predecessor Company	Reorganization Adjustments		Fresh Start Adjustments		Successor Company
ASSETS						
Current assets						
Cash and cash equivalents	809	790	(a)	—		1,599
Restricted cash	409	169	(a)	—		578
Marketable securities	121	—		—		121
Accounts receivable, net	272	—		—		272
Amount due from related parties - current	181	—		14	(l)	195
Other current assets	247	—		181	(m)	428
Total current assets	**2,039**	**959**		**195**		**3,193**
Investment in associated companies	1,615	—		(687)	(n)	928
Newbuildings	249	—		(249)	(o)	—
Drilling units	12,531	—		(5,734)	(p)	6,797
Deferred tax assets	8	—		—		8
Equipment	35	—		(6)	(q)	29
Amount due from related parties - non-current	565	—		11	(r)	576
Assets held for sale - non-current	—	—		—		—
Other non-current assets	3	—		95	(s)	98
Total assets	**17,045**	**959**		**(6,375)**		**11,629**
LIABILITIES AND EQUITY						
Current liabilities						
Debt due within one year	90	—		(33)	(t)	57
Trade accounts payable	96	17	(b)	—		113
Amounts due to related parties - current	4	4	(c)	—		8
Other current liabilities	229	100	(d)	32	(u)	361
Total current liabilities	**419**	**121**		**(1)**		**539**
Liabilities subject to compromise	**9,050**	**(9,050)**	(e)	**—**		**—**
Long-term debt	856	6,292	(f)	(104)	(t)	7,044
Long-term debt due to related parties	294	—		(94)	(v)	200
Deferred tax liabilities	105	—		(6)	(w)	99

(In $ millions)	As of July 1, 2018 Predecessor Company	Reorganization Adjustments		Fresh Start Adjustments		Successor Company
Other non-current liabilities	57	3	(b)	2	(x)	62
Total non-current liabilities	**1,312**	**6,295**		**(202)**		**7,405**
Redeemable non-controlling interest	**25**	**—**		**5**	(y)	**30**
Equity						
Predecessor common shares	1,008	(1,008)	(g)	—		—
Predecessor additional paid-in capital	3,316	(3,322)	(g)	—		—
		6	(h)			
Predecessor contributed surplus	1,956	(1,956)	(g)	—		—
Predecessor accumulated other comprehensive income	41	—		(41)	(z)	—
Predecessor (loss)/retained earnings	(146)	7,110	(i)	(6,964)	(z)	—
Successor common shares	—	10	(j)	—		10
Successor contributed surplus	—	2,860	(j)	631	(aa)	3,491
Total Shareholders' equity	**6,175**	**3,700**		**(6,374)**		**3,501**
Non-controlling interest	64	(107)	(k)	197	(bb)	154
Total equity	**6,239**	**3,593**		**(6,177)**		**3,655**
Total liabilities and equity	**17,045**	**959**		**(6,375)**		**11,629**

Reorganization Adjustments:

(a) Adjustments to cash and cash equivalents including the following:

Cash and Cash Equivalents	
(In $ millions)	
Proceeds from debt commitment [1]	875
Proceeds from equity commitment	200
Payment to newbuild counterparty members	(18)
Amendment consent fees to senior secured creditors	(26)
Funding of the escrow account for Senior Secured Notes collateral	(227)
Payment of closing fees for the debt commitment	(9)
Payment new commitment parties fee	(1)
Payment to the bank coordinating committee	(4)
Change in cash and cash equivalents	**790**

[1] Pursuant to the Investment Agreement, on the Effective Date we received cash of $875 million for the issuance of Senior Secured Notes, consisting of $880 million par value notes net of $5 million pre-issuance accrued interest.

Restricted Cash	
(In $ millions)	
Funding of the escrow account per terms of Senior Secured Notes	227
Payment of post confirmation accrued professional fees in connection with emergence	(31)
Payment of success fees incurred upon emergence	(22)
Distribution from the cash pool to general unsecured claims	(2)
Payment of unsecured creditor committee advisor fees	(3)
Change in restricted cash	**169**

(b) Reflects the reinstatement of trade accounts payable and other non-current liabilities included as part of liabilities subject to compromise
(c) Reflects the reinstatement of amounts due to related party included as part of liabilities subject to compromise.
(d) Reflects the adjustment to other current liabilities upon emergence:

Other current liabilities upon emergence	
(In $ millions)	
Success fees accrued upon emergence	28
Undistributed cash pool balance for general unsecured claims on emergence	35
Cash payment made for post confirmation accrued professional fees in connection with emergence	(31)
Reinstatement of other current liabilities as part of liabilities subject to compromise	64
Amendment fees on SFL loans accrued upon emergence	4
Change in other liabilities	**100**

(e) Liabilities subject to compromise were settled as follows in accordance with the Plan:

Gain on liabilities subject to compromise	
(In $ millions)	
Senior undersecured or impaired external debt	5,266
Unsecured bonds	2,334
Newbuild claims	1,064
Accrued interest payable	49
Derivatives previously recorded at fair value	249
Accounts payable and other liabilities	84
Amount due to related party	4
Liabilities subject to compromise	9,050
Less: Distribution from cash pool to holders of general unsecured claims on emergence	(2)
Less: Undistributed cash pool balance for holders of general unsecured claims on emergence	(35)
Less: Payment to newbuild counterparty members	(17)
Less: Fair value of equity issued to holders of general unsecured claims	(498)
Less: Reinstatement of amount due to related party	(4)
Less: Reinstatement of trade accounts payable	(84)
Less: Reinstatement of senior undersecured or impaired external debt	(5,266)
Less: Recognition of adequate protection payments on senior undersecured or impaired external debt	(186)
Gain on settlement of liabilities subject to compromise	**2,958**

(f) Increase in long-term debt includes reinstatement of certain liabilities subject to compromise as well as the issuance of Senior Secured Notes. The net increase reflects the following:

(In $ millions)	
Reinstated Senior undersecured or impaired external debt	5,266
Recognition of adequate protection payments	186
Lender consent fee	(26)
Total reinstated senior secured credit facilities	**5,426**
Issuance of Senior Secured Notes	880
Capitalized pre-issuance interest for Senior Secured Notes for 8% paid-in kind	10
Debt issuance cost in related to the issuance of the Senior Secured Notes	(9)
Discount on Senior Secured Notes for the pre-issuance interest paid upon emergence (4% cash interest of $5 million and 8% paid-in kind interest of $10 million)	(15)
Net increase in long-term debt	**6,292**

(g) Reflects the cancellation of Predecessor Company common stock, contributed surplus, and additional paid in capital to retained earnings
(h) Represents the unamortized stock compensation recognized upon cancellation of the Predecessor Company common stock, contributed surplus, and additional paid in capital.
(i) Reflects the change in predecessor retained (loss)/earnings

(In $ millions)	
Gain on settlement of liabilities subject to compromise	2,958
Cancellation of predecessor common stock, contributed surplus, and additional paid in capital	6,286
Recognition of unamortized stock compensation expense upon cancellation of the Predecessor Company common stock, contributed surplus, and additional paid in capital	(6)
Fair value of Successor Common Shares issued upon emergence	(2,176)
Success fees incurred upon emergence	(51)
New Commitment Parties, bank coordinating committee, and unsecured creditor committee advisor fees	(8)
Elimination of NADL and Sevan non-controlling interest	107
Total change in predecessor retained (loss)/earnings	**7,110**

(j) Reflects the issuance of 23,750,000 shares of common stock at a per share price of $8.42 in connection with the equity commitment, 55 million shares of common stock with estimated fair value of $35.01 per share issued in connection with the debt commitment, 14 million shares of common stock issued to the holders of general unsecured claims at an estimated fair value of $35.01 per share, 2 million shares of common stock issued to former holders of Predecessor equity at an estimated fair value of $35.01 per share, and 5 million shares of common stock issued for structuring fees to the select commitment parties and Hemen at an estimated fair value of $35.01 per share.

(k) As determined in the Plan, NADL and Sevan became wholly owned subsidiaries and the non-controlling interests of NADL and Sevan were eliminated.

Fresh Start Adjustments

(l) Adjustment to record the current portion of the contingent consideration receivable from Seadrill Partners related to the *West Vela* with the fair value of $14 million.

(m) Adjustment to write-off $9 million of current deferred mobilization costs to fair value, which is offset by recording the fair value of certain favorable drilling contracts of $190 million. The value was based on the contracted rates compared to the prevailing market rates.

(n) Adjustment to decrease the carrying value of the investments in associated companies to their estimated fair values determined using a discounted cash flow analysis utilizing the assumption noted above the Valuation of Equity Method Investments.

(o) Adjustment to record the newbuildings at fair value based on the value derived from an income approach compared to the current contractual obligations remaining to be paid.

(p) Adjustment to the drilling units to record the fair value of the rigs and capital spares utilizing a combination of income-based and market-based approaches. The discount rate of 11.4% was used for the discounted cash flow analysis under the income-based approach. A cost-based approach was utilized to determine the fair value for the capital spares.

(q) Adjustment to record equipment at fair value based on a cost approach.

(r) Adjustment to record the non-current portion of the contingent consideration receivable from Seadrill Partners related to the *West Vela* and *West Polaris* with the fair value of $17 million. This amount is offset with a $3 million reduction on the recoverability of the receivable due from Seabras Participacoes and $2 million adjustment to record the embedded conversion option component of the Archer convertible debt instrument at the emergence date fair value.

(s) Adjustment to write-off $2 million of deferred mobilization cost and $1 million of unamortized favorable contracts to fair value. These are offset by recording the fair value of certain favorable drilling and management service contracts of $98 million. The value was based on the contracted rates compared to the prevailing market rates.

(t) Fair value adjustment to record discount of $188 million on the senior secured credit facilities and Ship Finance loans. This reduction is offset by a $51 million write-off of discounts on the Senior Secured Notes, unamortized debt issuance cost and lender consent fees.

(In $ millions)

As at July 2, 2018	**Senior Secured Notes**	**Senior Secured Credit Facilities**	**Ship Finance Loans**	**Total**
Carrying value after reorganization adjustments	866	5,636	736	**7,238**
Adjustments to record debt at fair value:				**—**
Write-off of unamortized debt issuance costs	9	26	1	**36**
Write-off of discounts for pre-issuance accrued interest settled upon issuance of Senior Secured Notes (4% cash interest of $5 million and 8% paid-in kind interest of $10 million)	15	—	—	**15**
Fair value adjustment to record discount on the senior secured credit facilities and Ship Finance Loans	—	(155)	(33)	**(188)**
Estimated fair value of debt at emergence	**890**	**5,507**	**704**	**7,101**

(u) Adjustment to write-off $27 million, primarily related to deferred mobilization revenue, for which we have determined to have no future performance obligations. These are offset by recording the fair value of certain unfavorable drilling contracts of $59 million. The value was based on the contracted rates compared to the prevailing market rates.

(v) Adjustment to reflect a fair value discount on the loans due to related parties. The value was based on an income approach using level 2 inputs.

(w) Adjustments to the deferred tax liabilities as a result of applying fresh start accounting.
(x) Adjustment to write-off $7 million of deferred mobilization revenue, for which we have determined to have no future performance obligations, offset by the fair value of certain unfavorable drilling contracts of $9 million. The value was based on the contracted rates compared to prevailing market rates.
(y) Adjustment to record redeemable non-controlling interest to the emergence date fair value.
(z) Reflects the fresh start accounting adjustment to reset retained (loss) earnings and accumulated other comprehensive income.
(aa) Reflects the increase in fair value of the 24 million shares of common stock issued in connection with the equity commitment from $8.42 to $35.01 per share.
(bb) Adjustment to record the non-controlling interest in the Ship Finance VIEs and Seadrill Nigeria Operations Limited to fair value.

Note 6 – Segment information

Operating segments

We provide drilling and related services to the offshore oil and gas industry. We have three operating segments:

1. *Floaters*: Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to semi-submersible rigs and drillships for harsh and benign environments in mid-, deep- and ultra-deep waters;
2. *Jack-up rigs*: Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts relate to jack-up rigs for operations in harsh and benign environments in shallow waters; and
3. *Other*: Operations including management services to third parties and related parties. Income and expenses from these management services are classified under this segment.

Segment results are evaluated on the basis of operating income and the information given below is based on information used for internal management reporting.

Total operating revenue

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters	686	322	482	1,387
Jack-up rigs	362	167	193	617
Other	340	52	37	84
Total	**1,388**	**541**	**712**	**2,088**

Depreciation

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters	346	190	298	601
Jack-up rigs	80	46	93	197
Total	**426**	**236**	**391**	**798**

Amortization of intangibles

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters	106	37	—	—
Jack-ups	28	21	—	—
Total	**134**	**58**	—	—

Operating profit/(loss) - net loss

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Floaters	(340)	(161)	(446)	(622)
Jack-up Rigs	23	(16)	(167)	(112)
Other	22	2	—	6
Operating loss	**(295)**	**(175)**	**(613)**	**(728)**
Unallocated items:				
Total financial items and other	(966)	(422)	(3,242)	(2,308)
Loss before income taxes	**(1,261)**	**(597)**	**(3,855)**	**(3,036)**

Drilling assets - Total assets

Total assets by operating segment are as follows:

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
Floaters	5,297	5,508
Jack-up Rigs	1,104	1,151
Total Drilling Units and Newbuildings	**6,401**	**6,659**
Unallocated items:		
Investments in Associated companies	389	800
Marketable securities	11	57
Cash and restricted cash	1,357	2,003
Other assets	1,121	1,329
Total	**9,279**	**10,848**

Drilling units - Capital expenditures [(1)]

Capital expenditure by operating segment are as follows:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Floaters	139	74	93	128
Jack-ups	23	24	24	22
Total	**162**	**98**	**117**	**150**

(1) The successor periods include additions to equipment

Geographic segment data

Revenues are attributed to geographical segments based on the country of operations for drilling activities, i.e. the country where the revenues are generated. The following presents our revenues and fixed assets by geographic area:

Revenues

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Norway	469	117	82	219
Nigeria	198	108	105	193
Brazil	137	91	188	358
Saudi Arabia	130	78	79	159
United States	74	34	30	291
Angola	215	29	100	482
Others [(1)]	165	84	128	386
Total Revenue	**1,388**	**541**	**712**	**2,088**

(1) Other countries represent countries in which we operate that individually had revenues representing less than 10% of total revenues earned for any of the periods presented.

Fixed assets – drilling units [(1)]

Drilling unit fixed assets by geographic area are as follows:

	Successor	**Successor**
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Norway	1,818	1,326
Malaysia	805	1,070
USA	644	658
Spain	615	875
Brazil	332	688
Others [(2)]	2,187	2,042
Total	**6,401**	**6,659**

(1) Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues or operating profits generated by such assets during such period.

(2) Other countries represent countries in which we operate that individually had fixed assets representing less than 10% of total fixed assets for any of the periods presented.

Major customers

In the years ended December 31, 2019, the period from July 2, 2018 through December 31, 2018 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor), we had the following customers with total revenues greater than 10% in any of the years presented:

	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Total	18%	24%	19%	23%
Equinor	16%	7%	5%	4%
Northern Drilling	12%	—%	—%	—%
ConocoPhillips	11%	13%	8%	6%
Saudi Aramco	10%	14%	11%	8%
Petrobras	7%	10%	23%	17%
LLOG	4%	6%	4%	14%
ExxonMobil	—%	—%	10%	7%

Note 7 - Revenue from Contracts with Customers

The following table provides information about receivables, contract assets and contract liabilities from our contracts with customers:

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
Accounts receivable, net	173	208
Current contract assets [1]	—	1
Non-current contract assets [1]	—	—
Current contract liabilities (deferred revenues) [1]	(20)	(12)
Non-current contract liabilities (deferred revenues) [1]	(9)	(9)

(1) Current contract assets and liabilities balances are included in “Other current assets” and “Other current liabilities,” respectively in our Consolidated Balance Sheets as of December 31, 2019 (Successor).

Significant changes in the contract assets and the contract liabilities balances during the period from January 1, 2018 through July 1, 2018 (Predecessor) and period from July 2, 2018 through December 31, 2018 (Successor) are as follows:

(In $ millions)	Contract Assets	Contract Liabilities	Net Contract Balances
Net contract liability at January 1, 2018 (Predecessor)	**7**	**(55)**	**(48)**
Amortization of revenue that was included in the beginning contract liability balance	—	25	25
Cash received, excluding amounts recognized as revenue	—	(2)	(2)
Cash received against the beginning contract asset balance	(7)	—	(7)
Contract assets recognized during the period	9	—	9
Net contract liability at July 1, 2018 (Predecessor)	**9**	**(32)**	**(23)**
Fresh start adjustments	—	32	32
Net contract asset at July 2, 2018 (Successor)	**9**	**—**	**9**
Cash received, excluding amounts recognized as revenue	—	(21)	(21)
Cash received against the beginning contract asset balance	(9)	—	(9)
Contract assets recognized during the period	1	—	1
Net contract liability at December 31, 2018 (Successor)	**1**	**(21)**	**(20)**

Significant changes in the contract assets and the contract liabilities balances during the year ended December 31, 2019 (Successor) are as follows:

(In $ millions)	Contract Assets	Contract Liabilities	Net Contract Balances
Net contract liability at January 1, 2019 (Successor)	**1**	**(21)**	**(20)**
Amortization of revenue that was included in the beginning contract liability balance	—	14	14
Cash received, excluding amounts recognized as revenue	—	(22)	(22)
Cash received against the beginning contract asset balance	(1)	—	(1)
Contract assets recognized during the period	—	—	—
Net contract liability at December 31, 2019 (Successor)	**—**	**(29)**	**(29)**

Deferred revenue - The deferred revenue balance of $20 million reported in "Other current liabilities" at December 31, 2019 (Successor) is expected to be realized within the next twelve months and $9 million reported in "Other non-current liabilities" is expected to be realized within the following next twelve months. The deferred revenue included above consists primarily of mobilization and upgrade revenue for both wholly and partially unsatisfied performance obligations as well as expected variable mobilization and upgrade revenue for partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations. The amounts are derived from the specific terms within drilling contracts that contain such provisions, and the expected timing for recognition of such revenue is based on the estimated start date and duration of each respective contract based on information known at December 31, 2019. The actual timing of recognition of such amounts may vary due to factors outside of our control.

Note 8 – Other revenues

Other revenues consist of the following:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Related party management fees	109	46	43	110
Other management fees	6	—	—	1
Leasing revenues	1	—	—	—
Amortization of unfavorable contracts	—	—	21	43
Early termination fees	11	—	8	8
Total other revenues	**127**	**46**	**72**	**162**

Related party revenues

Related party revenues relate to management support and administrative services provided during the year to Seadrill Partners, SeaMex, Northern Drilling and Sonadrill. Refer to Note 31 - Related party transactions for more information.

Other management fees

Revenue from management services provided to third parties.

Leasing revenues

Revenue earned on the charter of the *West Castor* to Gulfdrill.

Amortization of unfavorable contracts

We recognize an intangible asset or liability if we acquire a drilling contract in a business combination and the contract had a dayrate that was above or below market rates at the time of the business combination. For the periods before emergence from Chapter 11 and the application of fresh start accounting, we classified the amortization of these intangible assets or liabilities within other revenues. For the periods after emergence from Chapter 11 and the application of fresh start accounting, we have applied a new accounting policy, which is to classify amortization of these intangible assets and liabilities within operating expenses. The unfavorable contract values in the Predecessor periods arose from our acquisition of Sevan Drilling Limited.

Early termination fees

The termination fee revenue in the year ended December 31, 2019 relates to the fees recognized for the *West Jupiter* and *West Castor*, the period from January 1, 2018 through July 1, 2018 relates to the fees recognized for the *West Pegasus* and the termination revenue in 2017 relates to the *West Hercules*.

Note 9 – Other operating items

Other operating items consist of the following:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Impairment of long lived assets [(i)]	—	—	(414)	(696)
Loss on disposals [(ii)]	—	—	—	(245)
Other operating income [(iii)]	39	21	7	27
Total other operating items	**39**	**21**	**(407)**	**(914)**

i. Impairment of long lived assets

In the year ended December 31, 2017 (Predecessor), as part of the Chapter 11 reorganization, we terminated the newbuild contracts for the drillships *West Draco*, *West Dorado*, *West Aquila* and *West Libra* and the shipyards, Samsung and DSME, received an allowed claim. As a result, we recorded a $696 million non-cash impairment charge against the newbuild assets for these rigs. We also recorded a reorganization expense of $1,064 million for the allowed claim.

In the period from January 1, 2018 through July 1, 2018 (Predecessor), we determined that the continuing downturn in the offshore drilling market was an indicator of impairment on certain assets. Following an assessment of recoverability, we recorded an impairment charge of $414 million against three of our older rigs.

We derived the fair value of the rigs using an income approach based on updated projections of future dayrates, contract probabilities, economic utilization, capital and operating expenditures, applicable tax rates and asset lives. The cash flows were estimated over the remaining useful economic lives of the assets and discounted using an estimated market participant weighted average cost of capital of 11.4%. To estimate these fair values, we were required to use various unobservable inputs including assumptions related to the future performance of our rigs as explained above. We based all estimates on information available at the time of performing the impairment test.

ii. Loss on disposals

There were no loss on asset disposals in the years ended December 31, 2019 (Successor) or 2018 (Successor). There was a loss on disposal for the year ended December 31, 2017 (Predecessor) which comprised the following:

(In $ millions)	**Net proceeds/recoverable amount**	**Book value on disposal**	**Loss**
Sale of *West Triton*	75	109	(34)
Sale of *West Mischief*	75	146	(71)
Sale of *West Resolute*	75	136	(61)
Disposal of *Sevan Developer* contract	—	75	(75)
Sale of *West Rigel*	126	128	(2)
Other	—	2	(2)
Total for year ended December 31, 2017 (Predecessor)	**351**	**596**	**(245)**

1) Sale of West Triton, West Mischief and West Resolute

On April 29, 2017 we reached an agreement with Shelf Drilling to sell the *West Triton, West Mischief* and *West Resolute* for a total consideration of $225 million. The *West Triton* and *West Resolute* were delivered in May 2017, whilst the *West Mischief* was delivered in September 2017. The sale resulted in a loss on disposal of $166 million.

2) Disposal of Sevan Developer contract

In October 2014, Sevan entered an agreement with Cosco to defer the delivery date of the *Sevan Developer* for twelve months with four subsequent options to extend the date for further periods of six months, until October 2017. On October 30, 2015, April 15, 2016 and October 15, 2016 three of the options were enacted, with $26.3 million, or 5% of the contract price, plus associated costs, refunded to Sevan on each occasion.

On April 27, 2017, the final delivery deferral agreement for the *Sevan Developer* was deferred to May 31, 2017 to finalize negotiations. As an agreement was not reached, the remaining installment of $26.3 million was refunded to Sevan, taking the delivery installment back to the $526.0 million contract price.

In July 2017, Sevan and Cosco agreed to defer the *Sevan Developer* delivery period until June 30, 2020. The contract amendment included a contract termination clause for Cosco and therefore it was deemed that Sevan had lost control of the asset and therefore derecognized the newbuild asset, which was held at $620 million, construction obligation held at $526 million, and accrued interest and other liabilities held at $19 million, resulting in a net loss on disposal of $75 million.

3) West Rigel settlement agreement

On April 5, 2018, we entered into a settlement and release agreement, subject to Bankruptcy Court approval, with Jurong in respect of the *West Rigel* whereby we agreed that the share of sale proceeds from the sale of the *West Rigel* by Jurong would be $126 million. We recognized a $2 million loss on disposal in the year ended December 31, 2017, reflecting the share of sales proceeds as the value of the asset held for sale.

On May 9, 2018 the *West Rigel* was sold by Jurong and we received a share of proceeds totaling $126 million**.**

iii. Other operating income

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Loss of hire insurance settlement *(a)*	10	—	—	—
Receipt of overdue receivable *(b)*	26	21	—	—
Contingent consideration *(c)*	—	—	7	27
Settlement with shipyard	3	—	—	—
Total other operating income	**39**	**21**	**7**	**27**

a) Loss of hire insurance settlement

Settlement of a claim on our loss of hire insurance policy following an incident on the *Sevan Louisiana.*

b) Receipt of overdue receivable

Receipt of overdue receivables which had not been recognized as an asset as part of fresh start accounting.

c) Contingent consideration

Amounts recognized for contingent consideration from the sales of the *West Vela* and *West Polaris* to Seadrill Partners in 2014 and 2015. On emergence from Chapter 11 we recognized receivables equal to the fair value of expected future cash flows under these arrangements and have therefore not recognized further income in the 2018 Successor period and year ended 2019.

Note 10 – Interest expense

Interest expense consists of the following:

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Cash and payment-in-kind interest on debt facilities	(440)	(237)	(37)	(286)
Unwind of discount debt	(47)	(24)	—	—
Loan fee amortization	—	—	(1)	(27)
Capitalized interest	—	—	—	28
Interest expense	**(487)**	**(261)**	**(38)**	**(285)**

1) Cash and payment-in-kind interest on debt facilities

We incur cash and payment-in-kind interest on our debt facilities. This is summarized in the table below.

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Senior credit facilities and unsecured bonds	(327)	(162)	(116)	(320)
Less: adequate protection payments	—	—	104	81
Senior Secured Notes	(66)	(50)	—	—
Debt of consolidated variable interest entities	(47)	(25)	(25)	(47)
Cash and payment-in-kind interest	**(440)**	**(237)**	**(37)**	**(286)**

We are charged interest on our senior credit facilities at LIBOR plus a margin. For periods after July 2, 2018, this margin increased by one percentage point following the emergence from Chapter 11. There has also been an increase in LIBOR rates, which when combined with the additional post-emergence margin, has led to an increased effective interest rate on our senior credit facilities in the year ended 2019.

During the period we were in Chapter 11 (September 12, 2017 to July 1, 2018), we recorded contractual interest payments against debt held as subject to compromise ("adequate protection payments") as a reduction to debt in the Consolidated Balance Sheet and not as an expense to the Consolidated Statement of Operations. We then expensed the adequate protection payments on emergence from Chapter 11.

On emergence from Chapter 11 we issued $880 million of Senior Secured Notes. We incur 4% cash interest and 8% payment-in-kind interest on these notes. On November 14, 2018 and April 10, 2019 there were two redemptions. After the two redemptions there was a remaining $476 million principal outstanding on the notes, which includes $18 million of accrued payment-in-kind interest on our Senior Secured Notes which was compounded on July 15, 2019 and additional notes were issued.

Our Consolidated Balance Sheet includes approximately $0.6 billion of debt facilities held by subsidiaries of Ship Finance that we consolidate as variable interest entities. Our interest expense includes the interest incurred by these entities on those facilities.

2) Unwind of discount on debt

On emergence from Chapter 11 and application of fresh start accounting, we recorded a discount against our debt to reduce its carrying value to equal its fair value. The debt discount is unwound over the remaining terms of the debt facilities.

3) Loan fee amortization

We amortize loan issuance costs over the expected term of the associated debt facility. We expensed capitalized loan issuance costs for debt subject to compromise when we filed for Chapter 11 on September 12, 2017. No new debt facilities have been entered into since emerging from Chapter 11.

4) Capitalized interest

We capitalize the interest cost incurred to finance Newbuilds. This ceased when we filed for Chapter 11 on September 12, 2017. No Newbuild finance has been entered into since emerging from Chapter 11.

Note 11 – Impairment loss on investments in associated companies

Each reporting period, we are required to consider (i) whether there have been any indicators of ’other than temporary impairment’ (“OTTI”) of our equity method investments and (ii) whether there has been an impairment of investments held at cost less impairment. We record an impairment charge for other-than-temporary declines in fair value when the fair value is not anticipated to recover above the carrying value within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required.

We have recognized the following impairments on investments in associated companies:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Impairments of Investment in associated companies and joint ventures *(refer to Note 18)*				
Seadrill Partners - Direct ownership investments	248	—	—	723
Seadrill Partners - Subordinated units	—	—	—	82
Seadrill Partners - Seadrill member interest and IDRs	54	—	—	—
SeaMex Limited	—	—	—	36
Total impairment of investments in associated companies and joint ventures	**302**	**—**	**—**	**841**
Total impairment of investments	**302**	**—**	**—**	**841**

Impairment loss recognized for the year ended December 31, 2019 (Successor)

1) Seadrill Partners

Seadrill Partners primary debt finance comes from a $2.6 billion Term Loan B ("**TLB**") which comes due for repayment in February 2021 and will need to be refinanced. There has been a decrease in the share price of Seadrill Partners common units since November 2018 which culminated in the common units being suspended from trading on the NYSE in August 2019 as the market capitalization decreased below $15 million for a period of 30 consecutive days. We interpreted this decrease in share price as both (i) an indicator of OTTI for the subordinated units and direct interests and (ii) an impairment indicator for the IDRs.

Having identified an indicator of OTTI, we were required to value our investments in Seadrill Partners to calculate the impairment. At the time of the impairment review, we calculated the fair value of our investments in Seadrill Partners direct interests and IDRs to be $134 million and nil, compared to pre-impairment book values of $382 million and $54 million respectively. As a result, we recorded an impairment charge of $302 million. We have recognized the impairment of these investments within "Loss on impairment of investments" in our Consolidated Statement of Operations for the year ended December 31, 2019.

We valued our investments in the direct interests using an income approach which discounted future free cash flows ("**DCF model**"). The cash flows were estimated over the remaining useful economic lives of the underlying assets, but no longer than 30 years in total, and discounted using an estimated market participant weighted average cost of capital of between 11.25-12.25%. The DCF model derived an enterprise value of the OPCOs, after which associated debt was subtracted to provide equity values. Our DCF model considered a range of scenarios to reflect different potential refinancing outcomes for Seadrill Partners. The key assumptions used in the DCF were derived from significant unobservable inputs based on our best judgments and assumptions available at the time of performing the impairment test.

The underlying assumptions used to model future rig cash flows used a methodology that examined historical data for each rig, considering the rig's age, rated water depth and other attributes and then assessed its future marketability considering the current and projected market environment at the time of assessment. Other assumptions, such as operating, maintenance and inspection costs, were estimated using historical data adjusted for known developments and future events that are anticipated by management at the time of the assessment. These assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported.

We valued our IDR investments using an option pricing model. The assumptions used in the model were derived from both observable and unobservable inputs and are based on management's judgments and assumptions available at the time of performing the impairment test. The method values different tranches in the capital structure in sequence of seniority. We employ significant judgment in developing these estimates and assumptions.

Impairment loss recognized for the year ended December 31, 2017 (Predecessor)

1) Seadrill Partners

In 2017, there was a sustained decrease in the trading price of Seadrill Partners common units, which we determined to be an indicator of other than temporary impairment against our equity method investments in Seadrill Partners. We therefore performed an impairment test at December 31, 2017. The findings of the review were that (i) the carrying value of the subordinated units exceeded the fair value by $82 million, and the carrying value of the direct ownership interests exceeded the fair value by $723 million. We recognized this impairment of the investments within "Loss on impairment of investments" in the Consolidated Statement of Operations.

The fair value of these investments were derived using a DCF model. The estimated future free cash flows associated with the investments were primarily based on expectations around applicable day rates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures, applicable tax rates and industry conditions. The cash flows were estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total and discounted using an estimated market participant weighted average cost of capital of 9.75%. The DCF model derived an enterprise value of the investments, after which associated debt was subtracted to provide equity values.

The assumptions used in the DCF model were derived from significant unobservable inputs (representative of level 3 inputs for fair value measurement) and were based on management's judgments and assumptions available at the time of performing the impairment test. We employed significant judgment in developing these estimates and assumptions.

2) SeaMex Limited - Impairment of investment in Joint Venture

The deteriorating market conditions in the oil and gas industry and supply and demand conditions in the offshore drilling sector in which SeaMex operates was considered to be an indicator of impairment. We determined the length and severity of the deterioration of market conditions to be representative of an other than temporary impairment. As such we measured and recognized an other than temporary impairment of the investment in SeaMex as at December 31, 2017.

The fair value was derived using a DCF model. The estimated future free cash flows associated with the investment were primarily based on expectations around applicable day rates, drilling unit utilization, operating costs, capital and long-term maintenance expenditures and applicable tax rates. The cash flows were estimated over the remaining useful economic lives of the underlying assets but no longer than 30 years in total and discounted using an estimated market participant weighted average cost of capital of 10.25%. The DCF model derived an enterprise value of the investments, after which associated debt was subtracted to provide equity values. The carrying value of the investment was found to exceed the fair value by $36 million. We have recognized this impairment of the investments within "Loss on impairment of investments" in the Consolidated Statement of Operations.

Note 12 – Taxation

Income taxes consist of the following:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Current tax (benefit)/expense:				
Bermuda	—	—	—	—
Foreign	22	30	34	56
Deferred tax (benefit)/expense:				
Bermuda	—	—	—	—
Foreign	(61)	(22)	(4)	10
Total tax (benefit)/expense	**(39)**	**8**	**30**	**66**
Effective tax rate	3.1%	(1.3)%	(0.8)%	(2.2)%

The effective tax rate for the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor) and the period from January 1, 2018 through July 1, 2018 (Predecessor) was 3.1%, (1.3)% and (0.8)% respectively. For the year ended December 31, 2017 (Predecessor) the rate was (2.2)%.

We are incorporated in Bermuda, where a tax exemption has been granted until 2035. Other jurisdictions in which we and our subsidiaries operate are taxable based on rig operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, we may pay tax within some jurisdictions even though it might have losses in others.

The income taxes for the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor), the period from January 1, 2018 through July 1, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor) differed from the amount computed by applying the Bermudan statutory income tax rate of 0% as follows:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Income taxes at statutory rate	—	—	—	—
Effect of change on unrecognized tax benefits	(6)	49	12	(5)
Effect of unremitted earnings of subsidiaries	(17)	(10)	—	3
Effect of taxable income in various countries	(16)	(31)	18	68
Total tax (benefit)/expense	**(39)**	**8**	**30**	**66**

Deferred income taxes

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

Deferred tax assets:

(In $ millions)	Successor December 31, 2019	Successor December 31, 2018
Pensions and stock options	2	4
Provisions	30	28
Net operating losses carried forward	259	263
Gross deferred tax assets	**291**	**295**
Valuation allowance	(255)	(254)
Deferred tax assets, net of valuation allowance	**36**	**41**

Deferred tax liabilities:

(In $ millions)	Successor December 31, 2019	Successor December 31, 2018
Property, plant and equipment	30	49
Unremitted Earnings of Subsidiaries	10	27
Intangibles	4	34
Gross deferred tax liabilities	**44**	**110**
Net deferred tax liability	**(8)**	**(69)**

As at December 31, 2019 (Successor), deferred tax assets related to net operating loss ("NOL") carry forwards was $259 million (December 31, 2018 (Successor): $263 million), which can be used to offset future taxable income. NOL carry forwards which were generated in various jurisdictions, include $249 million (December 31, 2018 (Successor): $257 million) that will not expire and $10 million (December 31, 2018 (Successor): $6 million) that will expire between 2021 and 2039 if unutilized.

As at December 31, 2019 (Successor), deferred tax liability related to intangibles from the application of fresh start accounting was $4 million (December 31, 2018 (Successor): $34 million).

We establish a valuation allowance for deferred tax assets when it is more likely than not that the benefit from the deferred tax asset will not be realized. The amount of deferred tax assets considered realizable could increase or decrease in the near-term if our estimates of future taxable income change. Our valuation allowance consists of $259 million on NOL carry forwards as at December 31, 2019 (Successor) (December 31, 2018 (Successor): $242 million).

Uncertain tax positions

As at December 31, 2019 (Successor), we had a total amount of unrecognized tax benefits of $89 million excluding interest and penalties of which $65 million was included in other non-current liabilities, and $24 million was presented as a reduction of deferred tax assets. The changes to our balance related to unrecognized tax benefits were as follows:

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Balance at the beginning of the period	132	61	55	44
Increases as a result of positions taken in prior periods	8	69	7	23
Increases as a result of positions taken during the current period	29	18	1	—
Decreases as a result of positions taken in prior periods	(34)	(9)	(2)	(9)
Decreases as a result of positions taken in the current period	—	—	—	—
Decreases due to settlements	(46)	(7)	—	(3)
Balance at the end of the period	**89**	**132**	**61**	**55**

Accrued interest and penalties totaled $18 million and $26 million as of December 31, 2019 (Successor) and December 31, 2018 (Successor) respectively and were included in "Other liabilities" on our Consolidated Balance Sheets. We recognized expenses of $7 million, $11 million and $3 million during the year ended December 31, 2019 (Successor), the period from July 2, 2018 through December 31, 2018 (Successor) and the period from January 1, 2018 through July 1, 2018 (Predecessor), respectively ($10 million expense recognized in the year ended December 31, 2017 (Predecessor)), related to interest and penalties for unrecognized tax benefits on the income tax expense line in the accompanying Consolidated Statement of Operations.

As of December 31, 2019 (Successor), $83 million of our unrecognized tax benefits, including penalties and interest, would have a favorable impact to the Company's effective tax rate if recognized.

The decrease in our unrecognized tax benefits was primarily related to recognizing the U.S. position following a guidance from the U.S. Department of Treasury. The liability for the U.S. unrecognized tax benefit was originally recorded in the fourth quarter of 2018.

Tax returns and open years

We are subject to taxation in various jurisdictions. Tax authorities in certain jurisdictions examine our tax returns and some have issued assessments. We are defending our tax positions in those jurisdictions.

The Brazilian tax authorities have issued a series of assessments with respect to our returns for certain years up to 2012 for an aggregate amount equivalent to $161 million including interest and penalties. The relevant group companies are robustly contesting these assessments including filing relevant appeals. An adverse outcome on these proposed assessments could result in a material adverse impact on our Consolidated Balance Sheets, Statements of Operations or Cash Flows. During the year ended December 31, 2019, the Company posted approximately $83 million collateral with a financial institution in order to continue the appeal against certain tax years. The collateral is included in "Restricted Cash" on our Consolidated Balance Sheets.

The Nigerian tax authorities have issued a series of claims and assessments both directly and lodged through the Chapter 11 process with respect to returns for subsidiaries for certain years up to 2016 for an aggregate amount equivalent to $171 million. The relevant group companies are robustly contesting these assessments including filing relevant appeals in Nigeria and it is also intended that one or more formal objections against these claims for distribution purposes will be filed in the U.S. court. An adverse outcome on these proposed assessments could result in a material adverse impact on our Consolidated Balance Sheets, Statements of Operations or Cash Flows.

The following table summarizes the earliest tax years that remain subject to examination by other major taxable jurisdictions in which we operate.

Jurisdiction	**Earliest Open Year**
Angola	2015
Nigeria	2014
United States	2016
Norway	2015
Brazil	2008

Note 13 – Loss per share

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

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

	Successor		**Predecessor**	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Net loss attributable to the parent	(1,219)	(602)	(3,881)	(2,973)
Less: Allocation to participating securities	—	—	—	—
Net loss available to stockholders	(1,219)	(602)	(3,881)	(2,973)
Effect of dilution	—	—	—	—
Diluted net loss available to stockholders	**(1,219)**	**(602)**	**(3,881)**	**(2,973)**

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

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Basic loss per share:				
Weighted average number of common shares outstanding	100	100	504	505
Diluted loss per share:				
Effect of dilution	—	—	—	—
Weighted average number of common shares outstanding adjusted for the effects of dilution	**100**	**100**	**504**	**505**

The basic and diluted loss per share are as follows:

	Successor		Predecessor	
(In $)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Basic loss per share	(12.18)	(6.02)	(7.71)	(5.89)
Diluted loss per share	(12.18)	(6.02)	(7.71)	(5.89)

Note 14 – Restricted cash

Restricted cash consists of the following:

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
Accounts pledged as collateral for Senior Secured Notes [(1)]	24	328
Accounts pledged as collateral for performance bonds and similar guarantees	104	101
Demand deposit pledged as collateral for tax related guarantee [(2)]	83	—
Other	31	32
Total restricted cash	**242**	**461**

(1) The balance as at December 31, 2018 was used to repurchase Senior Secured Notes on April 10, 2019 (see Note 22 - Debt for further details). In 2019, Seabras Sapura repaid $24 million of related party and shareholder loans, with the cash proceeds held in escrow against a future redemption of Senior Secured Notes. This is held as non-current within the Consolidated Balance Sheet.

(2) We placed a total of 330 million Brazilian Reais of collateral with BTG Bank under a letter of credit agreement. This related to long-running tax disputes which are currently being litigated through the Brazilian courts. This is held as non-current within the Consolidated Balance Sheet.

Restricted cash is presented in our Consolidated Balance Sheets as follows:

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
Current restricted cash	135	461
Non-current restricted cash	107	—
Total restricted cash	**242**	**461**

Note 15 – Marketable securities

Effective January 1, 2018, we adopted ASU 2016-01, which applies to equity investments that are neither (i) accounted for under the equity method or (ii) result in consolidation. Under ASU 2016-01 we record such investments at fair value and recognize any changes directly in net income, unless there is no readily ascertainable fair value, in which case we record the investment at cost less impairment. We hold investments in certain marketable securities which we account for at fair value through profit and loss per this guidance. We use quoted market prices to determine the fair value of our marketable securities and categorize them as level 1 on the fair value hierarchy.

For fiscal periods beginning prior to January 1, 2018, marketable securities not accounted for under the equity method were classified as available-for-sale. Unrealized gains and losses on equity securities classified as available-for-sale were recognized in other comprehensive income. When we adopted ASU 2016-01 for the first time at January 1, 2018, we reclassified $31 million of previously recognized fair value gains from accumulated other comprehensive income to retained earnings on January 1, 2018.

The below table shows the carrying value of our investments in marketable securities for periods presented in this report.

	Successor	**Successor**
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Seadrill Partners - Common units	2	45
Archer	9	12
Total marketable securities	**11**	**57**

The below table shows the gain and losses recognized through net income for the periods presented in this report since the adoption of ASU 2016-01.

	Successor		**Predecessor**
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**
Seadrill Partners - Common Units - unrealized loss on marketable securities	(43)	(45)	(5)
Archer - unrealized (loss)/gain on marketable securities	(3)	(19)	2
Total unrealized loss on marketable securities	**(46)**	**(64)**	**(3)**

The below table shows the gain and losses recognized through other comprehensive income for the periods presented in this report before the adoption of ASU 2016-01.

	Predecessor
(In $ millions)	**Year ended December 31, 2017**
Seadrill Partners - Common Units - unrealized loss on marketable securities	(14)
Archer - unrealized gain on marketable securities	28
Total unrealized gain on marketable securities	**14**

Until April 2017, we accounted for our investment in Archer under the equity method. However, as part of a financial restructuring, Archer completed two share issuances in March and April 2017, which diluted our ownership interest to 15.7%. Also, as part of this restructuring, we agreed with Archer to convert total outstanding subordinated loans, fees and interest provided to Archer, with a carrying value of $37 million, into a $45 million loan. The fair value of the new loan receivable at the date of conversion was $56 million resulting in a gain of $19 million on debt extinguishment, which is presented within “Gain on debt extinguishment” in our Predecessor Consolidated Statement of Operations.

As a result of these activities, we concluded that we no longer had significant influence over Archer's financial and operating decisions, primarily as a result of the reduction in our shareholding and the significant reduction in our interests in related debt and guarantees. We reclassified our equity method investment in Archer, which had a carrying value of nil, to an investment in marketable security, also with a carrying value of nil. We then revalued the investment in marketable security to fair value based on Archer's share price. We recognized the gain through other comprehensive income.

For periods before we adopted ASU 2016-01, we reviewed our marketable securities for other-than-temporary impairment at each reporting date. However, there were no impairments recorded against our investments in marketable securities during any of the periods presented.

Note 16 – Accounts receivable

Accounts receivables are held at their nominal amount less an allowance for doubtful accounts. Doubtful accounts are recognized when it is unlikely that required payments of specific amounts will occur as a result of the financial condition of the customer. As at December 31, 2019 (Successor) we had no allowances for doubtful accounts netted against our accounts receivable (December 31, 2018 (Successor): nil).

The below table sets out the bad debt expense incurred for the periods presented in this report.

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Bad debt expense	—	—	48	—
Total bad debt expense	—	—	**48**	—

In November 2018 and January 2019, we recovered a total of $47 million from a $48 million overdue receivable that was fully provided against in the Predecessor company. This was recognized as other operating income in our 2018 and 2019 Successor periods.

Note 17 – Other assets

As at December 31, 2019 and 2018 (Successor), other assets included the following:

	Successor	Successor
(In $ millions)	**As at December 31, 2019**	**As at December 31, 2018**
Favorable drilling and management services contracts	33	186
Taxes receivable	38	50
Prepaid expenses	33	32
Right of use asset	35	—
Reimbursable amounts due from customers [(1)]	21	10
Deferred contract costs	12	15
Derivative asset - interest rate cap [(2)]	3	39
Insurance receivable [(3)]	14	1
Other	28	25
Total other assets	**217**	**358**

[(1)] Includes related party balances of $5 million from Northern Drilling. For further information refer to Note 31 - Related party transactions.

[(2)] Refer to Note 32 - Financial instruments and risk management.

[(3)] In January 2019, there was a loss incident on the *Sevan Louisiana* related to a malfunction of its subsea equipment. As of December 31, 2019, we have incurred $19 million of costs to repair the equipment, of which $4 million has been recovered and an additional $14 million will be recoverable under our physical damage insurance.

Other assets are presented in our Consolidated Balance Sheets as follows:

	Successor	Successor
(In $ millions)	**As at December 31, 2019**	**As at December 31, 2018**
Other current assets	158	322
Other non-current assets	59	36
Total other assets	**217**	**358**

Favorable drilling contracts and management services contracts

On emergence from Chapter 11, we recognized favorable drilling and management service contracts at fair value, which will be amortized over their remaining contract period. The amounts recognized represent the net present value of the existing contracts at the time of emergence compared to the current market rates at that time, discounted at the weighted average cost of capital.

The gross carrying amounts and accumulated amortization included in 'Other current assets' and 'Other non-current assets' for favorable contracts in the Consolidated Balance Sheet are as follows:

	As at December 31, 2019			As at December 31, 2018		
(In $ millions)	**Gross Carrying Amount**	**Accumulated amortization**	**Net carrying amount**	**Gross Carrying Amount**	**Accumulated amortization**	**Net carrying amount**
Favorable contracts						
Balance at beginning of period	287	(101)	186	287	—	287
Amortization of favorable contracts	—	(153)	(153)	—	(101)	(101)
Balance at end of period	**287**	**(254)**	**33**	**287**	**(101)**	**186**

The amortization is recognized in the Consolidated Statements of Operations under "Amortization of intangibles". The weighted average remaining amortization period for the favorable contracts is 20 years, 6 months.

The table below shows the amounts relating to favorable contracts that is expected to be amortized over the following periods:

	Period ended December 31,					
(In $ millions)	**2020**	**2021**	**2022**	**2023**	**2024 and after**	**Total**
Amortization of favorable contracts	2	2	2	2	25	**33**

Note 18 – Investment in associated companies

We have the following investments in associated companies:

	Successor	**Successor**
Ownership percentage	**December 31, 2019**	**December 31, 2018**
Seadrill Partners and Seadrill Partner subsidiaries ("SDLP investments") [(a) (b)]	(a)	(a)
Seabras Sapura [(b)]	50.0%	50.0%
SeaMex Ltd. ("SeaMex") [(b)]	50.0%	50.0%
Sonadrill [(b)]	50.0%	—%
Gulfdrill [(b)]	50.0%	—%

(a) Refer to the Seadrill Partners subsidiaries paragraph below for additional information.

(b) For transactions with related parties refer to Note 31 - Related party transactions.

Seadrill Partners

Seadrill Partners investments consist of the following:

(a) Subordinated units - Our holdings of subordinated units of Seadrill Partners are accounted for under the equity method on the basis that the subordinated units are considered to be 'in-substance common stock'. The subordination period will end on the satisfaction of various tests as prescribed in the Operating Agreement of Seadrill Partners. Upon the expiration of the subordination period, the subordinated units will convert into Common Units. Our holding in the subordinated units represents 18% of the limited partner interests in Seadrill Partners.

(b) Direct ownership interests - All of our direct ownership interests in subsidiaries of Seadrill Partners are accounted for under the equity method. We deem these investments to represent significant influence over the investees through their voting rights and by virtue of Seadrill's representation on the Board of Seadrill Partners. We hold ownership interests in the following entities controlled by Seadrill Partners as at December 31, 2019:

i. *42% in Seadrill Operating LP*: Seadrill Operating LP is a limited partnership and is controlled by its General Partner, Seadrill Operating GP LLC, which is wholly owned by Seadrill Partners.

ii. *49% Seadrill Capricorn Holdings LLC*: Seadrill Capricorn Holdings LLC is a limited liability company. There is only one class of member interest which is deemed to represent voting common stock.

iii. *39% in Seadrill Deepwater Drillship Ltd* and 49% *indirect interest in Seadrill Mobile Units (Nigeria) Ltd.*: Both entities are limited companies and only have one class of stock, which is deemed to represent voting common stock.

(c) Member interests and IDR's - Seadrill applies the cost method to account for its investment in Seadrill member interest and Incentive Distribution Rights ("IDR's") on the basis that they do not represent common stock interests and their fair value is not readily determinable. The investments are held at cost less impairment.

We additionally hold an investment in the common units of Seadrill Partners, which are classified as marketable securities on our Consolidated Balance Sheet. Refer to Note 15 - Marketable Securities for further information.

Seabras Sapura

Seabras Sapura is 50% owned by Sapura Energy, and 50% owned by Seadrill. We account for our 50% investment in Seabras Sapura under the equity method.

SeaMex

We own a 50% equity interest in SeaMex. The remaining 50% is owned by Fintech. We account for our 50% investment in the joint venture under the equity method.

Sonadrill

We own a 50% equity interest in Sonadrill. The remaining 50% is owned by Sonangol E.P. We account for our 50% investment in the joint venture under the equity method.

Gulfdrill

We own 50% equity interest in Gulfdrill. The remaining 50% is owned by Gulf Drilling International. Gulfdrill is a joint venture that will manage and operate five premium jack-ups in Qatar with Qatargas.

Fresh start accounting

On emergence from bankruptcy, our equity method investments were measured at fair value which resulted in a different basis from the underlying carrying values of the investees' net assets at the date of emergence. The basis differences comprise of (i) drilling unit basis differences which are depreciated over the remaining useful life of the associated asset and (ii) contract basis differences which are amortized over the remaining term of the contract. The unwinding of the basis difference is recognized as a "Share in results from associated companies" in the Consolidated Statement of Operations.

Share in results from associated companies

Our share in results of our associated companies (net of tax) were as follows:

	Successor		**Predecessor**	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Seadrill Partners - Direct ownership interests	(107)	(82)	77	82
Seadrill Partners - Subordinated units	(17)	(20)	22	22
Seabras Sapura	29	24	46	80
SeaMex	(19)	(12)	4	—
Sonadrill	(1)	—	—	—
Archer	—	—	—	(10)
Total share in results from associated companies (net of tax)	**(115)**	**(90)**	**149**	**174**

Summary of Consolidated Statements of Operations for our equity method investees

The results of the Direct ownership interests in the SDLP companies and our share in those results (net of tax) were as follows:

SDLP	**Successor**		**Predecessor**	
(in $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Operating revenues	750	426	612	1,128
Net operating income	51	100	257	464
Net income	(187)	(127)	201	235
Net (loss)/income allocated to SDLP direct ownership interests	(92)	(59)	77	93
Amortization of basis differences	(15)	(23)	—	(11)
Share in results of SDLP direct investments (net of tax)	**(107)**	**(82)**	**77**	**82**
Net (loss)/income allocated to SDLP subordinated units	(17)	(15)	22	24
Amortization of basis differences	—	(5)	—	(2)
Share in results of SDLP subordinated units (net of tax)	**(17)**	**(20)**	**22**	**22**

The results of the Seabras Sapura companies and our share in those results (net of tax) were as follows:

Seabras Sapura	**Successor**		**Predecessor**	
(in $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Operating revenues	434	232	241	487
Net operating income	198	124	125	244
Net income	113	88	92	160
Seadrill ownership percentage	50%	50%	50%	50%
Share of net income	**57**	**44**	**46**	**80**
Amortization of basis differences	(28)	(20)	—	—
Share in results from Seabras Sapura (net of tax)	**29**	**24**	**46**	**80**

The results of the SeaMex companies and our share in those results (net of tax) were as follows:

SeaMex	Successor		Predecessor	
(in $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Operating revenues	232	118	121	239
Net operating income	70	40	40	80
Net income	18	4	7	—
Seadrill ownership percentage	50%	50%	50%	50%
Share of net income	**9**	**2**	**4**	**—**
Amortization of basis differences	(28)	(14)	—	—
Share in results from SeaMex (net of tax)	**(19)**	**(12)**	**4**	**—**

The results of the Sonadrill companies and our share in those results (net of tax) were as follows:

Sonadrill	Successor		Predecessor	
(in $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Operating revenues	22	—	—	—
Net operating income	(1)	—	—	—
Net income	(2)	—	—	—
Seadrill ownership percentage	50%	—%	—%	—%
Share of net income	**(1)**	**—**	**—**	**—**
Share in results from Sonadrill (net of tax)	**(1)**	**—**	**—**	**—**

Book value of our investments in associated companies

At the year end, the book values of our investments in our associated companies were as follows:

	Successor	Successor
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Seadrill Partners - Direct ownership interest	122	479
Seadrill Partners - Subordinated units	—	17
Seadrill Partners - IDRs	—	54
Seabras Sapura	98	77
Seabras Sapura Holding GmbH - shareholder loans held as equity	123	132
SeaMex Ltd	22	41
Sonadrill	24	—
Total	**389**	**800**

Quoted market prices for all of our investments are not available.

Summarized Consolidated Balance sheets for our equity method investees

The summarized balance sheets of the directly owned SDLP companies and our share of recorded equity in those companies was as follows:

SDLP	**Successor**	**Successor**
(in $ millions)	**December 31, 2019**	**December 31, 2018**
Current assets	833	1,110
Non-current assets	4,847	5,076
Current liabilities	(533)	(433)
Non-current liabilities	(2,623)	(3,039)
Net Assets	**2,524**	**2,714**
Seadrill share of book equity	1,305	1,399
Basis difference allocated to rigs [2]	(1,220)	(1,019)
Basis difference allocated to contracts [2]	37	99
SDLP book equity allocated to direct investments	**122**	**479**
SDLP book equity allocated to subordinated units [1]	**—**	**17**

[1] Seadrill Partners subordinated units have a lock-up period during which they have subordinated liquidation and dividend rights. On application of fresh start accounting the units were valued with reference to the market price of common units and adjusted for a discount for lack of marketability (because of the subordination period). The value of the subordinated units on application of fresh start accounting was $37 million. Since application of fresh start accounting we allocated a share of the net loss incurred by Seadrill Partners to the subordinated units using a Hypothetical Liquidation at Book Value methodology. We allocated a net loss of $20 million for the period from July 2, 2018 through December 31, 2018. After allocating this loss the remaining balance of the investment in subordinated units at December 31, 2018 was $17 million. We allocated a further net loss of $17 million for the year ended December 31, 2019. After allocating this loss the remaining balance of the investment in subordinated units was nil.

[2] In September 2019, an impairment of $302 million was recognized against the Seadrill Partners direct ownership interests and IDRs in the Consolidated Statements of Operations within "Loss on impairment of investments" (December 31, 2018 (Successor), nil). See Note 11 – Impairment loss on investments in associated companies.

The summarized balance sheets of the Seabras Sapura companies and our share of recorded equity in those companies was as follows:

Seabras Sapura	**Successor**	**Successor**
(in $ millions)	**December 31, 2019**	**December 31, 2018**
Current assets	195	255
Non-current assets	1,495	1,567
Current liabilities	(510)	(599)
Non-current liabilities	(504)	(637)
Net Assets	**676**	**586**
Seadrill ownership percentage	50%	50%
Seadrill share of book equity	338	293
Shareholder loans held as equity [1]	123	132
Basis difference allocated to rigs	(369)	(394)
Basis difference allocated to contracts	129	178
Total adjustments	**(117)**	**(84)**
Book value of Seadrill investment	**221**	**209**

[1] In September 2019, Seabras Sapura repaid $9 million of shareholder loans, with the cash proceeds held in escrow against a future redemption of Senior Secured Notes.

The summarized balance sheets of the SeaMex companies and our share of recorded equity in those companies was as follows:

SeaMex	**Successor**	**Successor**
(in $ millions)	**December 31, 2019**	**December 31, 2018**
Current assets	260	253
Non-current assets	939	977
Current liabilities	(141)	(149)
Non-current liabilities	(586)	(627)
Net Assets	**472**	**454**
Seadrill ownership percentage	50%	50%
Seadrill share of book equity	236	227
Basis difference allocated to rigs	(341)	(357)
Basis difference allocated to contracts	127	171
Total adjustments	**(214)**	**(186)**
Book value of Seadrill investment	**22**	**41**

The summarized balance sheets of the Sonadrill companies and our share of recorded equity in those companies was as follows:

Sonadrill	**Successor**	**Successor**
(in $ millions)	**December 31, 2019**	**December 31, 2018**
Current assets	57	—
Non-current assets	—	—
Current liabilities	(9)	—
Non-current liabilities	—	—
Net Assets	**48**	**—**
Seadrill ownership percentage	50%	—%
Seadrill share of book equity	24	—
Book value of Seadrill investment	**24**	**—**

Note 19 – Newbuildings

Changes in drilling units for the periods presented in this report were as follows:

(In $ millions)	
Opening balance as at January 1, 2018 (Predecessor)	**248**
Additions	1
Closing balance as at July 1, 2018 (Predecessor)	**249**
Fresh Start adjustments	(249)
Balance as at July 2, 2018, December 31, 2018 and December 31, 2019 (Successor)	**—**

On emergence from Chapter 11, the carrying values of our newbuilds were adjusted to fair value. The loss was recognized in the Consolidated Statement of Operations under the heading "Reorganization items".

Note 20 – Drilling units

Changes in drilling units for the periods presented in this report were as follows:

(In $ millions)	Cost	Accumulated depreciation	Net book value
Opening balance as at January 1, 2018 (Predecessor)	**17,335**	**(4,119)**	**13,216**
Additions	117	—	117
Depreciation	—	(388)	(388)
Impairment	(414)	—	(414)
Closing balance as at July 1, 2018 (Predecessor)	**17,038**	**(4,507)**	**12,531**
Fresh Start adjustments	(10,241)	4,507	(5,734)
Opening balance as at July 2, 2018 (Successor)	**6,797**	**—**	**6,797**
Additions	93	—	93
Depreciation	—	(231)	(231)
Closing balance as at December 31, 2018 (Successor)	**6,890**	**(231)**	**6,659**
Additions	158	—	158
Depreciation	—	(416)	(416)
Closing balance as at December 31, 2019 (Successor)	**7,048**	**(647)**	**6,401**

We recognized an impairment expense of $414 million which was classified within "Loss on impairment of long-lived assets" on our Consolidated Statement of Operations for the period from January 1, 2018 through July 1, 2018 (Predecessor). Please refer to Note 9- Other operating items for further information.

On emergence from Chapter 11, the carrying values of our drilling units were adjusted to fair value and the accumulated depreciation of each asset was reset to nil. The loss of $5,734 million was recognized in the Consolidated Statement of Operations under the heading "Reorganization items".

As at December 31, 2019, as part of the joint venture with Gulfdrill, we have leased the *West Castor* to Gulfdrill. The net book value of the *West Castor* was $53 million split between $72 million cost offset by $19 million accumulated depreciation. Refer to Note 24 - Leases for further information.

Note 21 – Equipment

Equipment consists of office equipment, software, furniture and fittings. Changes in equipment balances for the periods presented in this report were as follows:

(In $ millions)	Cost	Accumulated depreciation	Net book value
Opening balance as at January 1, 2018 (Predecessor)	**84**	**(55)**	**29**
Additions	9	—	9
Depreciation	—	(3)	(3)
Closing balance as at July 1, 2018 (Predecessor)	**93**	**(58)**	**35**
Fresh Start adjustments	(64)	58	(6)
Opening balance as at July 2, 2018 (Successor)	**29**	**—**	**29**
Additions	5	—	5
Depreciation	—	(5)	(5)
Closing balance as at December 31, 2018 (Successor)	**34**	**(5)**	**29**
Additions	4	—	4
Depreciation	—	(10)	(10)
Closing balance as at December 31, 2019 (Successor)	**38**	**(15)**	**23**

On emergence from Chapter 11, the carrying value of our equipment was adjusted to fair value and the accumulated depreciation of each asset was reset to nil. The loss of $6 million was recognized in the Consolidated Statement of Operations under the heading "Reorganization items".

Note 22 – Debt

As at December 31, 2019 (Successor) and 2018 (Successor), we had the following liabilities for third party debt agreements:

	Successor	Successor
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Secured credit facilities	5,662	5,662
Senior Secured Notes	476	769
Credit facilities contained within variable interest entities	621	655
Total debt principal	**6,759**	**7,086**
Less: debt discount and fees	(136)	(172)
Carrying value	**6,623**	**6,914**

This was presented in our Consolidated Balance Sheet as follows.

	Successor	Successor
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Debt due within one year	343	33
Long-term debt	6,280	6,881
Total debt principal	**6,623**	**6,914**

In the next sections we cover key terms of our debt facilities at December 31, 2019:

Secured Credit Facilities

We have summarized the key terms of our secured credit facilities as at December 31, 2019 in the table below:

Facility name	Maturity	Repayments before maturity ($m)	Final Repayment [3] ($m)	Total ($m)	Margin on LIBOR floating interest [2]	Collateral vessels	Book value of collateral vessels ($m)	Notes
$400 million facility	4Q 2022	47	88	**135**	3.50%	*West Cressida West Callisto West Leda*	150	
$2,000 million facility	1Q 2023	248	660	**908**	3.00%	*West Alpha West Venture West Phoenix West Navigator West Epsilon West Elara*	732	
$440 million facility	3Q 2023	23	41	**64**	4.25%	*West Telesto*	58	
$1,450 million facility	4Q 2023	88	235	**323**	3.35%-4.00%	*West Tellus*	332	(2)
$360 million facility	4Q 2023	73	137	**210**	3.75%	*AOD I AOD II AOD III*	191	(1)
$300 million facility	1Q 2024	48	96	**144**	4.00%	*West Tucana West Castor*	107	
$1,750 million facility	1Q 2024	299	576	**875**	3.50%-3.90%	*Sevan Driller Sevan Brasil Sevan Louisiana*	865	(2)
$450 million facility	2Q 2024	54	211	**265**	3.50%	*West Eminence*	275	
$1,500 million facility	4Q 2024	355	770	**1,125**	2.70%-4.78%	*West Saturn West Neptune West Jupiter*	1,020	(2)
$1,350 million facility	4Q 2024	351	594	**945**	3.00%	*West Pegasus West Gemini West Orion*	895	
$950 million facility	4Q 2024	198	368	**566**	3.00%-4.42%	*West Eclipse West Carina*	648	(2)
$450 million facility (2015)	4Q 2024	63	39	**102**	3.85%	*West Freedom West Vigilant West Prospero West Ariel*	176	
Total secured credit facilities				**5,662**				

(1) The facility is held by AOD, by which we hold a 67% ownership.

(2) Certain debt facilities are split into different tranches set at different margins. Under the ACE facility the margin is 5.5%.

(3) The final repayment shown in the above table includes balloon amount due on maturity and one quarters worth of amortization payments deferred in the fourth quarter of 2019 under the ACE facility amounting to $63 million. We have the ability to defer a further $437 million of amortization payments that would otherwise fall due between June 2020 and March 2021 through future use of the ACE facility.

Senior Secured Notes

On July 2, 2018, we raised $880 million of aggregate principle amount of 12.00% Senior Secured Notes due in 2025. The notes bear interest at the annual rate of 4.00% payable in cash plus 8.00% payment-in-kind. The principal borrowed on the notes included the initial $880 million principal value of the notes plus $10 million of payment-in-kind interest that was compounded into the principal on emergence from Chapter 11.

Per the terms of the Senior Secured Notes, we were required to redeem a proportion of the principal and interest outstanding on the notes using our share of the *West Rigel* sale proceeds. We received $126 million proceeds from the sale of the *West Rigel* on May 9, 2018 and used this to make a mandatory redemption of $121 million of principal and $5 million of accrued interest on November 1, 2018.

We were also required to make an offer to repurchase a proportion of the Senior Secured Notes using proceeds from a deferred consideration arrangement relating to the sale of our tender rig business to Sapura Energy in 2013. We made an offer to purchase up to $56 million of the Senior Secured Notes on October 10, 2018. On expiry of the offer, $0.1 million in aggregate principal amount of the notes were validly tendered. We accepted and made payment for the tendered notes on November 14, 2018.

On April 10, 2019, we repurchased $311 million of our principal Senior Secured Notes for $342 million. The $31 million additional cash paid represents the 7% purchase premium and settlement of accrued payment-in-kind and cash interest.

After the two redemptions, there was a remaining $476 million principal outstanding on the notes.

The Senior Secured Notes are secured by, among other things, our investments in Seadrill Partners, SeaMex and Seabras Sapura. Refer to Note 18 - Investment in associated companies for further information.

Credit facilities contained within variable interest entities

We consolidate three legal subsidiaries of Ship Finance that own the *West Taurus*, *West Hercules* and *West Linus*. Please refer to Note 35 for further details of this arrangement. These facilities were also amended during the period to conform with the charter payment schedules which were amended as part of the RSA linked to our reorganization.

The terms of these facilities are set out in the below table:

Facility Name	Maturity	Repayments before maturity ($m)	Final Repayment ($m)	Total ($m)	Margin on LIBOR floating interest	Collateral vessels	Book value of collateral vessels ($m)
$390 million facility	4Q 2022	43	144	**187**	Margin not disclosed	*West Taurus*	271
$375 million facility	2Q 2023	53	149	**202**	Margin not disclosed	*West Hercules*	322
$475 million facility	2Q 2023	52	180	**232**	Margin not disclosed	*West Linus*	191
Total credit facilities within VIEs				**621**			

Debt maturities

The outstanding debt as at December 31, 2019 is repayable as follows:

(In $ millions)	December 31, 2019
2020	343
2021	569
2022	984
2023	1,774
2024	2,613
2025 and thereafter	476
Total debt principal	**6,759**

Covenants and restrictions contained in our debt facilities

We have provided a summary of the main financial covenants contained within our debt facilities below:

The below financial covenants contained in our credit facilities post emergence are measured at the RigCo group level. Details of the levels which are required to be maintained under the credit facilities are as follows:

- Aggregated minimum liquidity requirement for the Group: In summary, and as more particularly set out in the credit facilities, to maintain cash and cash equivalents of at least $525 million within the Group at any time during the period from and including the Effective Date to and including 31 December 2018; and $400 million at any time during the period from and including 1 January 2019 to the final maturity date of the credit facilities. Breach of this covenant leads to an event of default.

- Net leverage ratio: to maintain a ratio of net debt to EBITDA as set out below (which will be tested on each financial quarter commencing with the financial quarter ending on March 31, 2022 until the final maturity date of the credit facilities):

Twelve months ended	Net leverage ratio
March 31, 2022	4.5x
June 30, 2022	4.2x
September 30, 2022	3.9x
December 31, 2022	3.7x
March 31, 2023	3.4x
June 30, 2023	3.3x
September 30, 2023	3.1x
December 31, 2023	3.0x
March 31, 2024	2.8x
June 30, 2024	2.7x
September 30, 2024	2.4x
December 31, 2024	2.2x

- Debt service coverage ratio: in summary to maintain a ratio of EBITDA to debt services (being all finance charges and principal, as more particularly set out in the credit facilities) equal to or greater than 1:1 (which will be tested on each financial quarter commencing with the financial quarter ending on March 31, 2022 until the final maturity date of the credit facilities).

For the periods ended March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021 a margin increase of 0.25% per quarter, which is capped at 1%, will be enacted if:

- Debt service coverage ratio is less than 0.8:1 in respect of the applicable period; and/or

- Net leverage ratio is greater than:

Twelve months ended	Net leverage ratio
March 31, 2021	7.3x
June 30, 2021	6.6x
September 30, 2021	6.2x
December 31, 2021	5.8x

In addition to the above there are various non-financial covenants.

The covenants included in the Senior Secured Notes agreements limit our ability to:

- Pay dividends or make certain other restricted payments or investments;
- Incur additional indebtedness and issue disqualified shares;
- Create liens on assets;
- Amalgamate, merge, consolidate or sell substantially all our, NSNCo's, IHCo's, RigCo's and their respective subsidiaries and the guarantors' assets;
- Enter into certain transactions with affiliates;
- Create restrictions on dividends and other payments by our subsidiaries; and
- Guarantee indebtedness by our subsidiaries.

The above covenants are subject to important exceptions and qualifications.

Since the fourth quarter of 2019, we have been engaged in discussions with our secured lenders regarding potential amendments to our credit facilities to provide operational flexibility and additional near-term liquidity by, among other things, converting certain interest payments under our credit facilities to payment-in-kind (“**PIK**”) interest and deferring certain scheduled amortization payments (or increasing the aggregate amount of such payments that may be converted to loans payable at the final scheduled maturity date of the relevant facility pursuant to the amortization conversion election provisions contained in the facility agreements). Our debt service is anticipated to be primarily comprised of interest through at least Q1 2021 because our facility agreements contain certain provisions that allow us to elect to defer and convert up to $500 million in the aggregate of scheduled amortization payments under certain of our credit facilities. We have already elected to use a portion of this capacity with respect to the first scheduled amortization installments under our credit facilities occurring in Q1 2020. We intend to continue exercising this option for each subsequent scheduled amortization payment date until such capacity is fully utilized; however, we cannot guarantee that we will be able to satisfy the conditions set forth in the facility agreements in order to be able to do so. We have also requested that our lenders consent to an extension of the periods before which we are required to comply with the net leverage and debt service coverage financial covenants in our facility agreements because we currently anticipate that we will not be able to meet these requirements when such covenants begin to be tested at the end of Q1 2021. If we are unable to comply with the net leverage and debt service coverage covenants in our debt agreements between Q1 2021 and Q4 2021, this will lead to an interest margin increase of up to 100 bps in the form of PIK interest; however, this does not constitute an event of default. Thereafter, if we are unable to comply with any of these restrictions and covenants, and we are unable to obtain a waiver or amendment from our lenders for such non-compliance, a default could occur under the terms of those debt agreements. We have also forecasted that we will not be able to meet the requirements under our ongoing liquidity financial covenant contained in the facility agreements during certain periods occurring after the twelve-month period following the date of this report. If our amendment requests for certain liquidity enhancing measures are not successful, including with respect to the conversion of certain interest payments to PIK and the deferral of certain scheduled amortization payments then there is an increased risk that we will breach these liquidly requirements sooner than currently anticipated after such twelve-month period following the date of this report. Failure to comply with such liquidity requirements could result in a default under the terms of our facility agreements if we are unable to obtain a waiver or amendment from our lenders for such non-compliance.

Although lender discussions are well advanced and significant progress has been made, until such time as an agreement is reached, uncertainty remains and therefore we are also preparing certain contingency plans. The Company's business operations remain unaffected by these amendment negotiations and related contingency planning efforts, and the Company expects to meet its ongoing customer and business counterparty obligations as they become due.

Note 23 – Other liabilities

As at December 31, 2019 and 2018 (Successor), other liabilities included the following:

	Successor	Successor
(In $ millions)	**As at December 31, 2019**	**As at December 31, 2018**
Taxes payable	33	42
Contract liabilities	29	21
Unfavorable drilling contracts	8	27
Employee withheld taxes, social security and vacation payments	51	40
Accrued interest expense	40	61
Accrued expenses	137	107
Lease liabilities	36	—
Uncertain tax provisions	83	100
Other liabilities	33	33
Total Other Liabilities	**450**	**431**

Other liabilities are presented in our Consolidated Balance Sheet as follows:

	Successor	Successor
(In $ millions)	**As at December 31, 2019**	**As at December 31, 2018**
Other current liabilities	322	310
Other non-current liabilities	128	121
Total Other Liabilities	**450**	**431**

Unfavorable contracts

On emergence from Chapter 11 and application of fresh start accounting, we recognized intangible assets and liabilities for favorable and unfavorable drilling contracts at fair value. The amounts recognized represent the net present value of the existing contracts at the time of emergence compared to the current market rates at the time of acquisition, discounted at the weighted average cost of capital. We amortize these assets and liabilities over the remaining contract period and classify the amortization under operating expenses. For periods before emergence from Chapter 11 and application of fresh start accounting we recognized intangible assets or liabilities only where we acquired a drilling contract in a business combination. The accounting policy we applied in the Predecessor was to classify amortization expense for such contracts within other revenues.

The gross carrying amounts and accumulated amortization included in 'Other current liabilities' and 'Other non-current liabilities' for unfavorable contracts in the Consolidated Balance Sheets as follows:

	December 31, 2019			December 31, 2018		
(In $ millions)	**Gross Carrying Amount**	**Accumulated amortization**	**Net carrying amount**	**Gross Carrying Amount**	**Accumulated amortization**	**Net carrying amount**
Unfavorable contracts						
Balance at beginning of period	(66)	39	(27)	(66)	—	(66)
Amortization of unfavorable contracts	—	19	19	—	39	39
Balance at end of period	**(66)**	**58**	**(8)**	**(66)**	**39**	**(27)**

The amortization is recognized in the Consolidated Statement of Operations under "Amortization of intangibles". For periods before emergence from Chapter 11 and application of fresh start accounting we recognized intangible liabilities only where we acquired a drilling contract in a business combination. We classified amortization expense for such contracts within other revenues in the Predecessor. The weighted average remaining amortization period for the unfavorable contracts is 7 years, 9 months.

The table below shows the amounts relating to unfavorable contracts that is expected to be amortized over the following periods:

	Period ended December 31,					
(In $ millions)	**2020**	**2021**	**2022**	**2023**	**2024 and after**	**Total**
Amortization of unfavorable contracts	(1)	(1)	(1)	(1)	(4)	**(8)**

Note 24 - Leases

We have operating leases relating to our premises, the most significant being our offices in London, Liverpool, Oslo, Stavanger, Singapore, Houston, Rio de Janeiro and Dubai.

On August 15, 2019 and September 3, 2019, in connection with the Gulfdrill joint venture, Seadrill entered charter agreements to lease three jack-up rigs from a third-party shipyard. These arrangements are to be novated to Gulfdrill prior to the commencement of its operations. On November 27, 2019, we received delivery of the jack-up rig *Lovanda* (formerly *Zhenhai 5*) under a charter agreement and a lease liability and offsetting right of use asset were recognized accordingly.

Below are the significant assumptions and judgments we applied to account for our leases in accordance with Topic 842.

1. We apply judgment in determination whether a contract contains a lease or a lease component as defined by Topic 842.

2. We have elected to combine leases and non-lease components. As a result, we do not allocate our consideration between leases and non-lease components.

3. The discount rate applied to our operating leases is our incremental borrowing rate. We estimated our incremental borrowing rate based on the rate for our traded debt.

4. Within the terms and conditions of some of our operating leases we have options to extend or terminate the lease. In instances where we are reasonably certain to exercise available options to extend or terminate, then the option was included in determining the appropriate lease term to apply. Options to renew our lease terms are included in determining the right-of-use asset and lease liability when it is reasonably certain that we will exercise that option.

For operating leases where we are the lessee, our future undiscounted cash flows are as follows:

	Successor
(In $ millions)	**Year ended December 31, 2019**
2020	17
2021	16
2022	9
2023	2
2024 and thereafter	1
Total	**45**

The following table gives a reconciliation between the undiscounted cash flows and the related operating lease liability recognized in our Consolidated Balance Sheet as at December 31, 2019:

	Successor
(In $ millions)	**Year ended December 31, 2019**
Total undiscounted cash flows	45
Less short term leases	(1)
Less discount	(8)
Operating lease liability	**36**
Of which:	
Current	12
Non-current	24

Prior to the adoption of the New Lease Accounting Standard, rental commitments on an undiscounted basis were approximately $38 million at December 31, 2018 under long-term non-cancelable operating leases and were payable as follows: $11 million in 2019, $9 million in 2020, $9 million in 2021, $5 million in 2022, $3 million in 2023 and $1 million thereafter.

The following table gives supplementary information regarding our lease accounting at December 31, 2019:

	Successor
(In $ million)	**Year ended December 31, 2019**
Operating Lease Cost:	
Operating lease cost	13
Total Lease cost	**13**
Other information:	
Cash paid for amounts included in the measurement of lease liabilities- Operating Cash flows	13
Right-of-use assets obtained in exchange for operating lease liabilities during the period	19
Weighted-average remaining lease term in months	18
Weighted-average discount rate	13%

We also have operating subleases, where we are the lessor, relating to some of our premises. The most significant subleases being our offices in Stavanger and Houston. We do not expect to derive further value from the subleased portion of our right-of-use assets following the end of the sublease term. These subleases do not include variable payments, and do not include options for a lessee to purchase the underlying asset. We do not allocate lease consideration between lease and non-lease components because we have elected not to separate lease and non-lease components for our operating leases where Seadrill is the lessor.

For our operating subleases, the future undiscounted cash flows are as follows:

	Successor
(In $ millions)	**Year ended December 31, 2019**
2020	1
2021	1
2022	1
2023	—
2024 and thereafter	—
Total	**3**

Rental expense was as follows:

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Rent expense	13	7	9	19
Total rent expense	**13**	**7**	**9**	**19**

On November 25, 2019 we leased the *West Castor* to Gulfdrill.

For operating leases where we are the lessor, our future undiscounted cash flows are as follows:

	Successor
(In $ millions)	**Year ended December 31, 2019**
2020	10
2021	10
2022	10
2023	9
2024 and thereafter	—
Total	**39**

	Successor
(In $ million)	**Year ended December 31, 2019**
Operating Lease Income:	
Operating lease income	1
Total Lease income	**1**

Note 25 – Common shares

Changes in common shares for the periods presented in this report were as follows:

	Issued and fully paid share capital $0.10 par value each		Issued and fully paid share capital $2.00 par value each		Treasury shares held by the Company - $2.00 par value each	
	Shares	**$ millions**	**Shares**	**$ millions**	**Shares**	**$ millions**
At January 1, 2017, December 31, 2017 and July 1, 2018 (Predecessor)	**—**	**—**	**508,763,020**	**1,017**	**(4,244,080)**	**(9)**
Cancellation of Predecessor Company common stock	—	—	(508,763,020)	(1,017)	4,244,080	9
Successor Company share issuance	100,000,000	10	—	—	—	—
At July 2, 2018 (Successor)	**100,000,000**	**10**	—	—	—	—
At December 31, 2018 (Successor)	**100,000,000**	**10**	**—**	**—**	**—**	**—**
RSU share issuance	234,973	—	—	—	—	—
At December 31, 2019 (Successor)	**100,234,973**	**10**	**—**	**—**	**—**	**—**

Common share transactions for periods presented

On the Effective Date, the common stock of the Predecessor Company was cancelled and the Successor Company allocated 100,000,000 shares of $0.10 par value in accordance with the Plan. The Successor Company's authorized share capital on the Effective Date was 111,111,111 common shares each with a par value of $0.10. The unissued 11,111,111 common shares were reserved for issuance under our employee incentive plan (see note 29).

On June 5, 2019 an additional 27,768,889 authorized share capital was approved at a par value of $0.10. This increased authorized share capital to 138,880,000.

On September 4, 2019, 234,973 shares were issued to employees following a vesting of restricted stock units awarded under our employee incentive plan.

Key terms of shares outstanding

All our issued and outstanding common shares are and will be fully paid. Subject to the Bye-Laws, the Board of Directors is authorized to issue any of the authorized but unissued common shares. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote in the Company's shares.

Holders of common shares have no pre-emptive, redemption, conversion or sinking fund rights. Holders of common shares are entitled to one vote per common share on all matters submitted to a vote of holders of common shares. Unless a different majority is required by law or the Bye-Laws, resolutions to be approved by holders of common shares require the approval by an ordinary resolution (being a resolution approved by a simple majority of votes cast at a general meeting at which a quorum is present). Under the Bye-Laws, each common share is entitled to dividends if, as and when dividends are declared by the Board of Directors, subject to any preferred dividend right of the holders of any preference shares.

In the event of liquidation, dissolution or winding up of the Company, the holders of common shares are entitled to share equally and ratably in the Company's assets, if any, remaining after the payment of all its debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

Note 26 – Non-controlling interest

Changes in non-controlling interests for the periods presented in this report were as follows:

(In $ millions)	**North Atlantic Drilling Ltd**	**Sevan Drilling Limited**	**Asia Offshore Drilling Ltd**	**Ship Finance VIEs**	**Seadrill Nigeria Operations Limited**	**Total**
January 1, 2017 (Predecessor)	**165**	**291**	**149**	**(69)**	**6**	**542**
Changes in 2017	—	—	—	(14)	—	(14)
Net (loss)/income attributable to non-controlling interest in 2017	(89)	(65)	—	24	1	(129)
December 31, 2017 (Predecessor)	**76**	**226**	**149**	**(59)**	**7**	**399**
Adoption of new accounting standard ASU 2016-16 - Income Taxes	(25)	—	—	—	—	**(25)**
Net (loss)/income attributable to non-controlling interest in period from January 1, 2018 to July 1, 2018	(160)	(10)	1	7	2	**(160)**
Redeemable non-controlling interest	—	—	(150)	—	—	**(150)**
Elimination of NCI of North Atlantic Drilling Ltd and Sevan Drilling Limited	109	(216)	—	—	—	**(107)**
Fair value adjustment of the non-controlling interest in the Ship Finance VIEs and Seadrill Nigeria Operations Limited	—	—	—	199	(2)	**197**
July 1, 2018 (Predecessor)	**—**	**—**	**—**	**147**	**7**	**154**
July 2, 2018 (Successor)	**—**	**—**	**—**	**147**	**7**	**154**
Net (loss)/income attributable to non-controlling interest in period from July 2, 2018 to December 31, 2018	—	—	—	(2)	—	**(2)**
December 31, 2018 (Successor)	**—**	**—**	**—**	**145**	**7**	**152**
Net (loss)/income attributable to non-controlling interest in 2019	—	—	—	(5)	4	**(1)**
December 31, 2019 (Successor)	**—**	**—**	**—**	**140**	**11**	**151**

On emergence from Chapter 11 the non-controlling interest was adjusted to fair value. Refer to Note 5 - Fresh Start Accounting for further information.

North Atlantic Drilling Ltd and Sevan Drilling Limited

In the predecessor, we held a 70.36% interest in NADL and 50.11% interest in Sevan. The amount of shareholders' equity not attributable to us was included in non-controlling interests. As determined in the plan of reorganization, both companies became wholly owned subsidiaries of Seadrill and the non-controlling interests were eliminated prior to emergence on July 2, 2018.

Asia Offshore Drilling Ltd

We hold a 66.24% interest in Asia Offshore Drilling Ltd. In the predecessor, the amount of shareholders' equity not attributable to us was included in non-controlling interests. Subsequent to filing bankruptcy petitions, the predecessor executed a Transaction Support Agreement on April 4, 2018, which included a put option to the holders of the non-controlling interest shares. This redemption feature caused the fair value of the non-controlling interest held in AOD to be reclassified from equity to 'Redeemable non-controlling interest' within the Consolidated Balance Sheets. Refer to Note 27 - Redeemable non-controlling interest for further information.

Ship Finance VIEs

In 2007, 2008 and 2014, we entered into sale and leaseback arrangements for drilling units with SFL Corporation Ltd, who incorporated subsidiary companies for the sole purpose of owning and leasing the drilling units. We concluded that we are the primary beneficiary of these companies and therefore consolidate them under the variable interest model. Accordingly, these subsidiary companies are included in our Consolidated Financial Statements, with the SFL Corporation Ltd equity in these companies included in non-controlling interest. Refer to Note 35 – Variable Interest Entities for more information.

On emergence from Chapter 11 the non-controlling interest was adjusted to fair value. Refer to Note 5 – Fresh Start Accounting for further information.

Seadrill Nigeria Operations Limited

HH Global Alliance Investments Limited ("Heirs Holdings"), an unrelated party registered in Nigeria, owns a non-controlling interest in one of our subsidiaries, Seadrill Nigeria Operations Limited, which holds a 10% interest in our drillship *West Jupiter* and previously supported the *West Jupiter's* operations whilst it was under contract with Total in Nigeria. The equity attributable to Heirs Holdings is classified as a non-controlling interest in our consolidated balance sheet. In February 2020, we paid $11 million to Heirs Holdings for an option to buy the non-controlling interest at any point in the future for a $1 purchase price.

Note 27 - Redeemable non-controlling interest

Changes in redeemable non-controlling interests for the periods presented in this report were as follows:

(In $ millions)	**Asia Offshore Drilling Ltd**
As at January 1, 2018 (Predecessor)	—
Reclassification from non-controlling interest	150
Fair value adjustment on initial recognition	(127)
Net income attributable to redeemable non-controlling interest	2
Fresh start fair value adjustment	5
As at July 1, 2018 (Predecessor)	**30**
As at July 2, 2018 (Successor)	**30**
Net loss attributable to redeemable non-controlling interest	(1)
Fair value adjustment	9
As at December 31, 2018 (Successor)	**38**
Net loss attributable to redeemable non-controlling interest	(2)
Fair value adjustment	21
As at December 31, 2019 (Successor)	**57**

We hold a 66.24% interest in Asia Offshore Drilling Limited ("**AOD**"), which owns the benign environment jack-up rigs *AOD 1, AOD 2* and *AOD 3.* The remaining 33.76% interest is owned by Mermaid Maritime Public Company Limited ("**Mermaid**").

On April 4, 2018, subsequent to filing bankruptcy petitions, the Predecessor executed a Transaction Support Agreement ("**TSA**") with Mermaid in order to (i) provide a framework for a monetization event for Mermaid and (ii) obtain unanimous approval for AOD to become a party to the RSA and participate in Seadrill's broader debt restructuring under its Chapter 11 reorganization.

The TSA provided Mermaid with put option that gave them the right (with no obligation) to sell their non-controlling interest shares to Seadrill. The repurchase price is based on the fair value of the shares, determined by a valuation expert, subject to a price ceiling of $125 million. The exercise window for the put option started on October 1, 2019 and ends on September 30, 2020.

If Mermaid do not exercise their option, Seadrill will have a call option that gives them the right (with no obligation) to buy Mermaid's non-controlling interest shares for fair value, subject to a price floor of $75 million. The exercise window for the call option starts on October 1, 2020 and ends on March 31, 2021.

If the purchase price is less than $50 million then it will be settled in cash. If the purchase price is greater than $50 million, then Seadrill is required to settle the first $50 million in cash and any excess fair value in a variable number of Seadrill common shares (based on the 60 day volume-weighted average price).

The put option generated a redemption feature for Mermaid that is outside the control of Seadrill. This caused the fair value of Mermaid's non-controlling interest shares to be reclassified from equity to "Redeemable non-controlling interest" within the consolidated balance sheet of the Predecessor. Each reporting period, we are required to (i) attribute Mermaid's share of AOD's profit to the redeemable non-controlling interest and (ii) make an adjustment to record the redeemable non-controlling interest shares at fair value, with the offsetting entry going to equity. These entries are set out in the table above.

Note 28 – Accumulated other comprehensive income/(loss)

Changes in accumulated other comprehensive income/(loss) for the periods presented in this report were as follows:

(In $ millions)	Unrealized gain on marketable securities	Unrealized gain on foreign exchange	Actuarial gain/(loss) relating to pension	Share in unrealized gains from associated companies	Change in unrealized gain on interest rate swaps in VIEs	Change in debt component on Archer facility	Total
Balance as at December 31, 2017 (Predecessor)	**31**	**36**	**(26)**	**15**	**2**	**—**	**58**
Adoption of accounting standard update	(31)	—	—	—	—	—	**(31)**
Balance as at January 1, 2018 (Predecessor)	**—**	**36**	**(26)**	**15**	**2**	**—**	**27**
Reset accumulated other comprehensive (loss)/income	—	(36)	26	(15)	(2)	—	**(27)**
Balance as at July 1, 2018 (Predecessor)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other comprehensive income/(loss) before reclassifications	—	—	1	(5)	—	(3)	**(7)**
Balance as at December 31, 2018 (Successor)	**—**	**—**	**1**	**(5)**	**—**	**(3)**	**(7)**
Other comprehensive (loss)/income	—	—	(1)	(8)	—	3	**(6)**
Balance as at December 31, 2019 (Successor)	**—**	**—**	**—**	**(13)**	**—**	**—**	**(13)**

In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. ASU 2016-01 became effective for fiscal years and interim periods beginning after December 15, 2017. We adopted ASU 2016-01 starting from January 1, 2018 on a modified retrospective basis, with no changes recognized in the prior year comparatives and a cumulative catch up adjustment recognized in the Predecessor opening retained earnings. Upon adoption of ASU 2016-01, we reclassified $31 million of unrealized gains related to our marketable securities from accumulated other comprehensive income to retained earnings in the Predecessor. As a result of the adoption of this guidance we are required to recognize the movement in the fair value of our marketable securities in the Consolidated Statement of Operations. Refer to Note 15 "Marketable securities" for further information.

On emergence from Chapter 11, the accumulated other comprehensive income of the Predecessor was reset to nil. For further information refer to Note 5 - Fresh start accounting.

The applicable amount of income taxes associated with each component of other comprehensive income in the Successor is nil, other than on the actuarial loss on pension, due to the fact that the items relate to companies domiciled in non-taxable jurisdictions. For actuarial loss related to pension the accumulated applicable amount of income taxes is nil for the year ended December 31, 2019 (Successor) (nil for the period July 2, 2018 to December 31, 2018 (Successor) and $1 million for the period from January 1, 2018 to July 1, 2018 (Predecessor) as this item is related to companies domiciled in Norway where the tax rate is 22% (December 31, 2018 (Successor): 23%).

Note 29 – Share based compensation

The share-based compensation expense for our share options and Restricted Stock Unit ("**RSU**") plans in the Consolidated Statements of Operations are as follows:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Share-based compensation expense [1]	5	—	9	7
Total share-based compensation expense	**5**	**—**	**9**	**7**

[1] The $9 million expense for the period from January 1, 2018 through July 1, 2018 included a charge of $6 million for schemes cancelled on emergence from Chapter 11. This was classified within reorganization items.

On August 16, 2018, we established an employee incentive plan with a limit of 11.1 million shares in Seadrill Limited.

On September 4, 2018 we made a grant of 0.5 million RSUs to certain employees and directors under the employee incentive plan. The awards were subject to a service condition and vest 33% per year over the three-year period to September 4, 2021. On September 4, 2019, the first tranche of RSUs vested and 0.2 million Seadrill shares were issued to employees and directors.

On April 26, 2019, we made a grant of 1.7 million performance shares to certain employees under our employee incentive plan. The awards are subject to service and performance conditions and the vesting period ends on March 31, 2022.

On August 23, 2019, we made a grant of 0.3 million restricted stock units to directors. The awards were subject to a service condition and vest 33% per year over the three-year period to August 23, 2022.

The compensation cost for non-vested awards not yet recognized as at December 31, 2019 is $9 million (December 31, 2018: $9 million), with a weighted average vesting period of 2 years.

Note 30 - Pension benefits

Defined benefit plans

We have several defined benefit pension plans covering a number of our Norwegian employees. All the plans are administered by a life insurance company. Our net obligation is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their cumulative service. The aggregated projected future benefit obligation is discounted to present value, from which the aggregated fair value of plan assets is deducted. The discount rate is the market yield at the balance sheet date on government bonds in the relevant currency and based on terms consistent with the post-employment benefit obligations.

Actuarial gains and losses are recognized in the Consolidated Statement of Operations when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10 percent of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected remaining working lives of the employees participating in the plans. Otherwise, recognition of actuarial gains and losses is included in other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income.

On retirement, or when an employee leaves the company, the member's pension liability is transferred to the life insurance company administering the plan, and the pension plan no longer retains an obligation relating to the leaving member. This action is deemed to represent a settlement under U.S. GAAP, as it represents the elimination of significant risks relating to the pension obligation and related assets. Under settlement accounting, the portion of the net unrealized actuarial gains/losses corresponding to the relative value of the obligation reduction is recognized through the Consolidated Statement of Operations. However, settlement accounting is not required if the cost of all settlements in a year is not deemed to be significant in the context of the plan. We deem the settlement not to be significant when the cost of settlements in the year is less than the sum of service cost and interest cost in the year. In this case, the difference between the reduction in benefit obligation and the plan assets transferred to the life insurance company is recognized within "other comprehensive income," rather than being recognized in the Consolidated Statement of Operations.

For onshore employees in Norway, who are participants in the defined benefit plans, the primary benefits are a retirement pension of approximately 66 percent of salary at retirement age of 67 years, together with a long-term disability pension. The retirement pension per employee is capped at an annual payment of 66 percent of the total of 12 times the Norwegian Social Security Base. Most employees in this group may choose to start a pre-retirement pension at 62 years of age.

Consolidated Balance Sheet position

(In $ millions)	Successor December 31, 2019	Successor December 31, 2018
Accrued pension liabilities - Non-current liabilities	2	4
Less: Deferred tax (Asset)	(1)	(1)
Shareholders' equity	**1**	**3**

Annual pension cost
We record pension costs in the period during which the services are rendered by the employees.

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Service cost	3	2	1	2
Interest cost on prior years' benefit obligation	1	1	—	2
Gross pension cost for the year	**4**	**3**	**1**	**4**
Expected return on plan assets	(1)	(1)	—	(1)
Net pension cost for the year	**3**	**2**	**1**	**3**
Impact of settlement/curtailment funded status	—	—	—	(1)
Total net pension cost	**3**	**2**	**1**	**2**

The funded status of the defined benefit plan

(In $ millions)	Successor December 31, 2019	Successor December 31, 2018
Projected benefit obligations at end of period	40	37
Plan assets at market value	(39)	(33)
Accrued pension liabilities	**1**	**4**

Change in projected benefit obligations

	Successor		Predecessor
(In $ millions)	December 31, 2019	December 31, 2018	June 30, 2018
Projected benefit obligations at beginning of period	37	36	38
Interest cost	1	1	—
Service cost	3	1	1
Benefits paid	(2)	(1)	(1)
Change in unrecognized actuarial gain	—	2	(2)
Foreign currency translations	1	(2)	—
Projected benefit obligations at end of period	**40**	**37**	**36**

Change in pension plan assets

(In $ millions)	Successor		Predecessor
	December 31, 2019	December 31, 2018	June 30, 2018
Fair value of plan assets at beginning of year	33	33	33
Estimated return	1	1	—
Contribution by employer	6	—	2
Administration charges	—	—	—
Benefits paid	(2)	(1)	(1)
Actuarial gain	—	2	(1)
Foreign currency translations	1	(2)	—
Fair value of plan assets at end of year	**39**	**33**	**33**

The accumulated benefit obligation for all defined benefit pension plans was $37 million and $33 million at December 31, 2019 (Successor) and 2018 (Successor), respectively.

Pension obligations are actuarially determined and are critically affected by the assumptions used, including the expected return on plan assets, discount rates, compensation increases and employee turnover rates. We periodically review the assumptions used and adjust them and the recorded liabilities as necessary.

During the year ended December 31, 2017, a number of employees left and as a result, the defined benefit scheme transferred the pension liability for these employees to the life insurance company administering the scheme. The difference between the reduction in benefit obligation and the plan assets transferred to the life insurance company has been recognized within "Other comprehensive income." The settlement is not deemed to be significant in the context of the overall scheme and as such net unrecognized actuarial losses have not been recycled as a result of the settlement.

The expected rate of return on plan assets and the discount rate applied to projected benefits are particularly important factors in calculating our pension expense and liabilities. We evaluate assumptions regarding the estimated rate of return on plan assets based on historical experience and future expectations on investment returns, utilizing the asset allocation classes held by the plan's portfolios. The discount rate is based on the covered bond rate in Norway. Changes in these and other assumptions used in the actuarial computations could impact the projected benefit obligations, pension liabilities, pension expense and other comprehensive income.

Assumptions used in calculation of pension obligations

	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Rate of compensation increase at the end of year	2.25%	2.75%	2.50%	2.50%
Discount rate at the end of year	2.30%	2.60%	2.40%	2.40%
Prescribed pension index factor	2.00%	2.00%	2.00%	1.50%
Expected return on plan assets for the year	2.60%	2.60%	2.40%	2.40%
Employee turnover	4.00%	4.00%	4.00%	4.00%
Expected increases in Social Security Base	2.50%	2.50%	2.25%	2.25%

The weighted-average asset allocation of funds related to our defined benefit plan at December 31, was as follows:

Pension benefit plan assets

	Successor	Successor
	December 31, 2019	**December 31, 2018**
Equity securities	13.6%	12.7%
Debt securities	58.4%	70.0%
Real estate	11.0%	9.9%
Money market	16.5%	6.9%
Other	0.5%	0.5%
Total	**100.0%**	**100.0%**

The investment policies and strategies for the pension benefit plan funds do not use target allocations for the individual asset categories. The investment objectives are to maximize returns subject to specific risk management policies. We diversify our allocation of plan assets by investing in both domestic and international fixed income securities and domestic and international equity securities. These investments are readily marketable and can be sold to fund benefit payment obligations as they become payable.

Cash flows - Contributions expected to be paid

The table below shows our expected annual pension plans contributions under defined benefit plans for the years ending December 31, 2020-2029. The expected payments are based on the assumptions used to measure our obligations at December 31, 2019 and include estimated future employee services.

(In $ millions)	**December 31, 2019**
2020	4
2021	2
2022	2
2023	3
2024	2
2025-2029	13
Total payments expected during the next 10 years	**26**

Defined contribution and other plans

We made contributions to personal defined contribution pension and other plans totaling $16 million for the year ended December 31, 2019 and $9 million for the period from July 2, 2018 through December 31, 2018 (Successor) and $10 million for the period from January 1, 2018 through July 1, 2018 (Predecessor). For the year to December 31, 2017 (Predecessor) the charge was $17 million. These were charged as operational expenses as they became payable.

Note 31 – Related party transactions

Our main related parties include (i) affiliated companies over which we hold significant influence and (ii) companies who are either controlled by or whose operating policies may be significantly influenced by our major shareholder, Hemen.

Companies in which we hold significant influence include (i) Seadrill Partners, (ii) SeaMex and (iii) Seabras Sapura (iv) Sonadrill and (v) Gulfdrill. Companies that are controlled by or whose operating policies may be significantly influenced by Hemen include (i) Ship Finance, (ii) Archer, (iii) Frontline, (iv) Seatankers and (v) Northern Drilling. In the following sections we provide an analysis of (i) transactions with related parties and (ii) balances outstanding with related parties.

Related party revenue

The below table provides an analysis of related party revenues for periods presented in this report.

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
Management fee revenues (a)	109	41	41	84
In country support services revenues (b)	—	—	1	23
Related party inventory sales	1	1	1	—
Other	—	4	—	3
Total related party operating revenues	**110**	**46**	**43**	**110**

(a) We provide management and administrative services to Seadrill Partners and SeaMex and operation and technical support services to Seadrill Partners, SeaMex, Sonadrill and Northern Drilling. We charge our affiliates for support services provided either on a cost-plus mark up or dayrate basis.

(b) We previously provided in country support services to the Seadrill Partners rig *West Polaris* when it operated in Angola. The *West Polaris*'s contract ended in December 31, 2017, so we no longer earn revenues under this arrangement.

In addition to the amounts shown above, we recognized reimbursable revenues and expenses from Northern Drilling of $167 million for the year ended December 31, 2019 for work to perform the first mobilization of the Northern Drilling rigs, *West Mira* and *West Bollsta*. As at December 31, 2019 our Consolidated Balance Sheet included a $55 million receivable from Northern Drilling included in related parties and $5 million unbilled reimbursables amounts within Other Assets for costs to be recovered from this arrangement.

Related party operating expenses

The below table provides an analysis of related party operating expenses for periods presented in this report.

	Successor		Predecessor	
(In $ millions)	**Year ended December 31, 2019**	**Period from July 2, 2018 through December 31, 2018**	**Period from January 1, 2018 through July 1, 2018**	**Year ended December 31, 2017**
In country support services expenses (c)	—	—	1	8
Related party inventory purchases	1	—	—	3
Other related party operating expenses (d)	2	1	3	3
Net bareboat charter arrangements (e)	—	—	—	(1)
Total related party operating expenses	**3**	**1**	**4**	**13**

(c) Seadrill Partners previously provided us with in country support services for the *West Jupiter* in Nigeria. This arrangement ended in early 2018. In addition, SeaMex previously provided us with in country support services for the *West Pegasus* and *West Freedom* when those rigs operated in Mexico and Venezuela.

(d) We received services from certain other related parties. These included management and administrative services from Frontline, warehouse rental from Seabras Sapura and other services from Archer and Seatankers.

(e) We previously acted as an intermediate charterer for the Seadrill Partners rig *West Aquarius*, during its contract with Hibernia in Canada, which ended in April 2017.

Related party financial items

The below table provides an analysis of related party financial income for periods presented in this report.

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Interest income (f)	26	15	12	34
Gains on related party derivatives	—	—	—	1
Interest income recognized on deferred contingent consideration (g)	4	1	2	3
Total related party financial items	**30**	**16**	**14**	**38**

(f) We earn interest income on our related party loans to SeaMex and Seabras Sapura (see below). We also previously earned interest income on our related party loans to Seadrill Partners in 2017.

(g) We record interest income on deferred consideration receivables from Seadrill Partners (see item (i) below).

Related party receivable balances

The below table provides an analysis of related party receivable balances for periods presented in this report.

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
Related party loans and interest (h)	488	476
Deferred consideration arrangements (i)	31	59
Convertible bond (j)	35	43
Trading balances (k)	150	138
Total related party receivables	**704**	**716**
Of which:		
Amounts due from related parties - current	181	177
Amounts due from related parties - non-current	523	539

(h) We have loan receivables outstanding from SeaMex and Seabras Sapura. We previously had loan receivables from Seadrill Partners, which have been repaid. We have summarized the amounts outstanding in the table below:

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
SeaMex seller's credit and loans receivable	422	398
Seabras loans receivable	66	78
Total related party loans and interest	**488**	**476**

SeaMex loans include (i) $250 million "sellers credit" provided to SeaMex in March 2015 which matured in December 2019 but is subordinated to SeaMex's external debt facility, which matures in March 2022, and therefore cannot be repaid. As such, we have classified this balance as non-current on our Consolidated Balance Sheets. (ii) $45 million working capital loan advanced in November 2016 and (iii) $127 million accrued interest on above loans and other funding. The sellers credit and working capital loan both earn interest at 6.5% and are subordinated to SeaMex's external debt facility.

Seabras loans include a series of loan facilities that we extended to Seabras Sapura between May 2014 and December 2016. The $66 million balance shown in the table above includes (i) $54 million of loan principal and (ii) $12 million of accrued interest. The loans are repayable on demand, subject to restrictions on Seabras Sapura's external debt facilities. We earn interest of between 3.4% - LIBOR + 3.99% on the loans, depending on the facility. We received repayments against these related party loans of $15 million during 2019.

In addition to the Seabras loans referred above, we have made certain other shareholder loans to Seabras Sapura, which we classify as part of our equity method investment in Seabras Sapura. See Note 18 - "Investments in Associated Companies" for further details. We received repayments against these shareholder loans of $9 million during 2019.

(i) Deferred consideration arrangements include receivables due to us from Seadrill Partners from the sale of the *West Vela* and the *West Polaris* to Seadrill Partners in November 2014 and June 2015 respectively. We have summarized amounts due for each period in the table below:

	Successor	Successor
(In $ millions)	December 31, 2019	December 31, 2018
West Vela - Mobilization receivable	17	31
West Vela - Share of dayrate	14	27
West Polaris	—	1
Total deferred consideration receivable	**31**	**59**

On adoption of fresh start accounting, we recorded receivables for *West Vela* share of dayrate and *West Polaris* earnout. These amounts were previously accounted for as gain contingencies so were only recognized when realized. The receivables were recognized at fair value of $29 million and $1 million respectively and the gain was recognized in reorganization items.

We recorded the following gains in other operating income for these arrangements.

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
West Polaris earn out realized	—	—	—	13
West Vela earn out realized	—	—	7	14
Total contingent consideration recognized	**—**	**—**	**7**	**27**

(j) On April 26, 2017, we converted $146 million, including accrued interest and fees, in subordinated loans provided to Archer into a $45 million convertible loan. The subordinated convertible loan bears interest of 5.5%, matures in December 2021 and has a conversion right into equity of Archer Limited in 2021. At inception, the fair value of the convertible bond was $56 million whereas the previous loan had a carrying value of $37 million. We therefore recognized a gain on debt extinguishment of $19 million in 2017 because of this transaction.

The loan receivable is a convertible debt instrument comprised of a debt instrument and a conversion option, classed as an embedded derivative. Both elements are measured at fair value at each reporting date. As at December 31, 2019, Archer were in negotiations with their lenders to refinance their debt obligations, which we expected to result in an extension to maturities for all lenders, including Seadrill. As a result, we recorded an other than temporary impairment against our investment in the convertible bond issued to us by Archer. Following the other-than-temporary impairment, the fair value of the convertible debt instrument was $35 million of which the split between debt and embedded derivative option was $35 million and nil respectively. See Note 33 - Fair values of financial instruments for further details.

Subsequent to the year end, on March 13, 2020, Archer announced that it had successfully secured a consensual amendment and extension to its debt facilities. This included a reduction to the principal and accrued interest on the convertible loan due to us from Archer, in exchange for a reduced stock conversion price and removal of certain restrictions regarding the sale or conversion of the loan. Following the amendment, the principal due on the loan would be $13 million and the stock conversion price would decrease from $2.083 per share to $0.40. The maturity date of the loan would also extend to April 1, 2024. The transaction is subject to execution of final agreements and completion of closing conditions.

The fair value gain/(loss) on the convertible bond for periods presented is summarized below:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Other than temporary impairment	(11)	—	—	—
Fair value gain / (loss) of Archer debt component	3	(3)	2	1
Fair value (loss) / gain of Archer embedded conversion option	—	(9)	2	(4)

(k) Trading balances primarily comprise receivables from Seadrill Partners, SeaMex, Northern Drilling and Sonadrill for related party management fees. In addition, certain receivables and payables arise when we pay an invoice on behalf of Seadrill Partners or SeaMex and vice versa. Receivables and payables are generally settled quarterly in arrears.

Related party payable balances

The below table provides an analysis of related party payable balances for periods presented in this report.

	Successor	Successor
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Related party loans payable (n)	239	222
Trading balances (o)	19	39
Total related party liabilities	**258**	**261**
Of which:		
Amounts due to related parties - current	(19)	(39)
Long-term debt due to related parties	(239)	(222)

(n) Related party loans include related party loans from Ship Finance to the Ship Finance subsidiaries that we consolidated as variable interest entities (see Note 35 – Variable Interest Entities (VIEs) for further details). The carrying amount of the loans was $239 million at December 31, 2019 (2018: $222 million). The principal outstanding on the loans was $314 million at December 31, 2019, (2018: $314 million).

There is a right of offset of trading balance assets against the loans, the net position is disclosed within “Long-term debt due to related parties” on the Consolidated Balance Sheets. As at December 31, 2019 (Successor) the trading position was a net liability position of nil.

The loans bear interest at a fixed rate of 4.5% per annum and mature between 2023 and 2029. The total interest expense incurred for the year ended December 31, 2019 (Successor) was $14 million, the period from July 2, 2018 through December 31, 2018 (Successor) was $7 million, the period from January 1, 2018 through July 1, 2018 (Predecessor) was $7 million (year ended December 31, 2017 (Predecessor): $15 million).

(o) Trading balances primarily include related party payables due from our Ship Finance variable interest entities to Ship Finance and trading balances due from us to SeaMex and Seadrill Partners.

Other related party transactions

Seabras Sapura guarantees - In November 2012, a subsidiary of Seabras Sapura Participações S.A. entered into a $179 million senior secured credit facility agreement in order to part fund the acquisition of the Sapura Esmeralda pipe-laying support vessel, with a maturity in 2032. During 2013 an additional facility of $36 million was entered into, with a maturity in 2020. As a condition to the lenders making the loan available, we provided a sponsor guarantee, on a joint and several basis with the joint venture partner, Sapura Energy, in respect of the obligations of the borrower. The total amount guaranteed by the joint venture partners as at December 31, 2019 (Successor) was $146 million (December 31, 2018 (Successor): $165 million).

We have not recognized a liability for any of the above guarantees as we did not consider it to be probable that the guarantees would be called.

Other guarantees - In addition, we have made certain guarantees over the performance of Seadrill Partners and SeaMex on behalf of customers. Please refer to Note 34 - "Commitments and contingencies" for details.

Omnibus agreement - In 2012 we entered into an Omnibus Agreement with Seadrill Partners. The agreement outlines the following provisions: (i) a non-competition agreement with Seadrill Partners for any drilling rig operating under a contract for five or more years; (ii) rights of first offer on any proposed sale, transfer or other disposition of drilling rigs; (iii) rights of first offer on any proposed transfer, assignment, sale or other disposition of any equity interest in Seadrill Operating LP, Seadrill Capricorn Holdings LLC and Seadrill Partners Operating LLC (the "OPCO"); and (iv) indemnification – Old Seadrill Limited agreed to indemnify Seadrill Partners against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to Seadrill Partners, and also certain tax liabilities. Refer to exhibit 4.4.

Note 32 – Financial instruments and risk management

We are exposed to several market risks, including credit risk, foreign currency risk and interest rate risk. Our policy is to reduce our exposure to these risks, where possible, within boundaries deemed appropriate by our management team. This may include the use of derivative instruments.

Credit risk

We have financial assets, including cash and cash equivalents, marketable securities, other receivables and certain amounts receivable on derivative instruments. These assets expose us to credit risk arising from possible default by the counterparty. Most of the counterparties are creditworthy financial institutions or large oil and gas companies. We do not expect any significant loss to result from non-performance by such counterparties.

We do not demand collateral in the normal course of business. The credit exposure of derivative financial instruments is represented by the fair value of contracts with a positive fair value at the end of each period, adjusted for our non-performance credit risk assumption.

Concentration of risk

There is also a concentration of credit risk with respect to cash and cash equivalents to the extent that most of the amounts are carried with Citibank, Nordea Bank Finland Plc, Danske Bank A/S, BNP Paribas and ING Bank N.V. We consider these risks to be remote. We also have a concentration of risk with respect to customers, including affiliated companies. For details on the customers with greater than 10% of contract revenues, refer to Note 6 - Segment information. For details on amounts due from affiliated companies, refer to Note 31 - Related Party transactions.

Foreign exchange risk

As is customary in the oil and gas industry, a majority of our revenues and expenses are denominated in U.S. dollars, which is the functional currency of most of our subsidiaries and equity method investees. However, a portion of the revenues and expenses of certain of our subsidiaries and equity method investees are denominated in other currencies. We are therefore exposed to foreign exchange gains and losses that may arise on the revaluation or settlement of monetary balances denominated in foreign currencies.

Our foreign exchange exposures primarily relate to foreign denominated cash and working capital balances. We do not expect these remaining exposures to cause a significant amount of fluctuation in net income and therefore do not currently hedge them. Further, the effect of fluctuations in currency exchange rates caused by our international operations generally has not had a material impact on our overall operating results.

Interest rate risk

Our exposure to interest rate risk relates mainly to our floating rate debt and balances of surplus funds placed with financial institutions. We manage this risk through the use of derivative arrangements.

On May 11, 2018, we purchased an interest rate cap for $68 million to mitigate our exposure to future increases in LIBOR on our Senior Credit Facility debt. The interest rate cap is not designated as a hedge and therefore we do not apply hedge accounting. The capped rate against the 3-month US LIBOR is 2.87% and covers the period from June 15, 2018 to June 15, 2023.

We have set out our exposure to interest rate risk on our net debt obligations at December 31, 2019 (Successor) in the table below:

(In $ millions)	**Principal**	**Hedging instruments**	**Total**	**Impact of 1% increase in rates**
Senior Credit Facilities	5,662	(4,500)	1,162	12
Ineffective portion of interest rate cap [1]	—	4,320	4,320	43
Debt contained within VIEs	621	—	621	6
Debt exposed to interest rate fluctuations	6,283	(180)	6,103	61
Less: Cash and Restricted Cash	(1,357)	—	(1,357)	(14)
Net debt exposed to interest rate fluctuations [2]	**4,926**	**(180)**	**4,746**	**47**

[1] The 3-month LIBOR rate as at December 31, 2019 was 1.91%. At this date, the interest cap would mitigate 4% of the impact of a theoretical 1% point increase in LIBOR.

[2] The $476 million of Senior Secured Notes are a fixed rate debt instrument and are therefore excluded from the above table.

Gains and losses on derivatives reported in consolidated statement of operations

Gains and losses on derivatives reported in our consolidated statement of operations included the following:

(In $ millions)	Successor		Predecessor	
	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
(Loss)/gain recognized in the Consolidated Statement of Operations relating to derivative financial instruments				
Interest rate cap agreement	(37)	(22)	(6)	—
Archer convertible debt instrument	—	(9)	2	(4)
Interest rate swaps not designated for hedge accounting	—	—	—	(31)
Cross currency swaps not designated for hedge accounting	—	—	—	46
Loss/(gain) on derivative financial instruments	**(37)**	**(31)**	**(4)**	**11**

a) Interest rate cap

This represents changes in fair value on our interest rate cap agreement referred above.

b) Archer convertible debt instrument

This represents gains and losses on the conversion option included within a $45 million convertible bond issued to us by Archer. Please see Note 31 - Related party transactions for further details.

c) Interest rate swaps and cross currency swaps

Prior to filing for Chapter 11 (Predecessor), we used interest rate swaps and cross currency swaps to mitigate the impact of currency and interest rate fluctuations on our debt. When we filed for Chapter 11 we triggered a default under these agreements and our counterparties terminated the contracts and received an allowed claim for damages suffered. We reversed the liabilities for these instruments and recorded liabilities equal to the expected value of the allowed claims received by our counterparties. The allowed claim values were higher than the previous fair values, which factored in a discount for our own credit risk, so this led to an expense of $89 million. We classified the expense within reorganization items (see Note 4 for further details).

Derivative financial instruments included in our Consolidated Balance Sheet

Derivative financial instruments included in our Consolidated Balance Sheet, within "Other Assets" included the following:

(In $ millions)	Maturity date	Applicable rate	Outstanding principal - December 31, 2019	As at December 31, 2019	As at December 31, 2018
Interest rate cap	June 2023	2.87% LIBOR cap	4,500	3	39
				3	**39**

Note 33 - Fair values of financial instruments

Fair value of financial instruments measured at amortized cost

The carrying value and estimated fair value of our financial instruments that are measured at amortized cost at December 31, 2019 (Successor) and December 31, 2018 (Successor) are as follows:

	Successor		Successor	
	December 31, 2019		December 31, 2018	
(In $ millions)	Fair value	Carrying value	Fair value	Carrying value
Assets				
Related party loans receivable [1] *(Level 2)*	395	488	476	476
Liabilities				
Secured credit facilities *(Level 2)*	5,464	5,549	5,388	5,519
Credit facilities contained within variable interest entities *(Level 2)*	590	598	612	626
Senior Secured Notes *(Level 1)*	404	476	770	769
Related party loans payable by the VIE *(Level 2)*	229	239	222	226

(1) *Excludes Archer convertible debt receivable, which is measured at fair value on a recurring basis*

Level 1

The fair value of the Senior Secured Notes are derived using market traded value. We have categorized this at level 1 on the fair value measurement hierarchy. Refer to Note 22 – Debt for further information.

Level 2

Upon the adoption of fresh start accounting, the related party loans receivable from SeaMex and Seabras Sapura were recorded at fair value. We estimate the fair value to be equal to the carrying value after adjusting for expected credit losses on the loans. The debt is not freely tradable and cannot be recalled by us at prices other than specified in the loan note agreements and the loans were entered into at market rates. The loans are categorized as level 2 on the fair value measurement hierarchy. Other trading balances with related parties are not shown in the table above and are covered under Note 31 - Related party transactions. The fair value of other trading balances with related parties are also assumed to be equal to their carrying value after adjusting for expected credit losses on the receivables.

The fair value of the secured credit facilities and Ship Finance loans are derived using the discounted cash flow model, using a cost of debt of 6%.

The fair value of the loans provided by Ship Finance to our VIE's are derived using the discounted cash flow model, using a cost of debt of 11%. We have categorized this at level 2 on the fair value measurement hierarchy. Refer to Note 31 - Related party transactions for further information.

Financial instruments measured at fair value on a recurring basis

The carrying value and estimated fair value of our financial instruments that are measured at fair value on a recurring basis at December 31, 2019 (Successor) and December 31, 2018 (Successor) are as follows:

	Successor		Successor	
	December 31, 2019		December 31, 2018	
(In $ millions)	Fair value	Carrying value	Fair value	Carrying value
Assets				
Cash and cash equivalents (*Level 1)*	1,115	1,115	1,542	1,542
Restricted cash *(Level 1)*	242	242	461	461
Marketable securities *(Level 1)*	11	11	57	57
Related party loans receivable - Archer convertible debt *(Level 3)*	35	35	43	43
Interest rate cap *(Level 2)*	3	3	39	39
Temporary equity				
Redeemable non-controlling interest *(Level 3)*	57	57	38	38

Level 1

The carrying value of cash and cash equivalents and restricted cash, which are highly liquid, is a reasonable estimate of fair value and categorized at level 1 on the fair value measurement hierarchy. Quoted market prices are used to estimate the fair value of marketable securities, which are valued at fair value on a recurring basis.

Level 2

The fair value of the interest rate cap as at December 31, 2019 is calculated using well-established independent valuation techniques and counterparty non-performance credit risk assumptions. The calculation of the credit risk in the swap values is subject to a number of assumptions including an assumed credit default swap rate based on our traded debt, and recovery rate, which assumes the proportion of value recovered, given an event of default. We have categorized these transactions as level 2 on the fair value measurement hierarchy.

Level 3

The Archer convertible debt instrument is bifurcated into two elements. The fair value of the embedded derivative option is calculated using a modified version of the Black-Scholes formula for a currency translated option. Assumptions include Archer's share price in NOK, NOK/USD FX volatility and dividend yield. The fair value of the debt component is derived using the discounted cash flow model including assumptions relating to cost of debt and credit risk associated to the instrument.

The redeemable non-controlling interest in AOD is calculated by applying a fair value to the three AOD rigs and debt facility using a discounted cash flow model. The rig values are determined using an income approach based on projected future dayrates, contract probabilities, economic utilization, capital and operating expenditures, applicable tax rates and asset lives, discounted using a weighted average cost of capital of 11%. The fair value of the debt is derived using the discounted cash flow model, using a cost of debt of 6%.

Fair value considerations on one-time transactions

Archer convertible bond fair value

As at December 31, 2019 we reassessed the fair value of the Archer convertible bond held as a related party balance as a result of the current negotiations to restructure Archer's debt with senior lenders and Seadrill. We have re-assessed the fair value of the bond using a discounted cashflow model approach. For the purposes of the valuation, we have assumed that the maturity date of the bond will be pushed out to December 2024, which we expect to be required in order for Archer to refinance their bank borrowings to which the Seadrill bond is subordinate. We applied a discount rate of 14%.

As a result, an impairment of $11 million was recognized in the Consolidated Statements of Operations within "Impairment of convertible bond from related party" and $3 million recognized in the Consolidated Statements of Comprehensive loss within "Change in fair value of debt component of Archer convertible bond" for the year ended December 31, 2019.

The convertible bond outstanding as at December 31, 2019 was $35 million (December 31, 2018: $43 million). For further information and fair value considerations, refer to Note 31 - Related Party Transactions.

Impairment of investments in associated companies

On September 6, 2019, Seadrill Partners LLC received notification from the New York Stock Exchange ("the NYSE") that trading of their common units had been suspended due to the Company's low market capitalization. We determined that this was a trigger of other-than-temporary impairment against our investments in Seadrill Partners. As a result, we recognized an impairment of $302 million against the Seadrill Partners direct ownership interests, subordinated units and IDRs. This expense was classified under the line item "Loss on impairment of investments" in the consolidated statement of operations, in the year ended December 31, 2019.

Fresh start valuations

The Plan presented on February 26, 2018, and confirmed by the Bankruptcy Court on April 17, 2018, estimated a range of distributable value for the Successor Company of which a reorganization value was derived based on the mid-point of this range of estimated distributable values. The reorganization value represents the fair value of the Successor Company's total assets and, under fresh start accounting, we are required to allocate the reorganization value to individual assets based on their estimated fair values. For further information, refer to Note 5 - Fresh Start Accounting.

Drilling unit impairment

In our reported Predecessor period ended July 1, 2018 (Predecessor), we recorded an impairment expense of $414 million against our drilling units, derived from a fair value using an income approach based on updated projections of future dayrates, contract probabilities, economic utilization, capital and operating expenditures, applicable tax rates and asset lives. For further information, refer to Note 9 - Other operating items.

Impairment of marketable securities and investments in associated companies and joint ventures

In the year ended December 31, 2017 we recognized impairments on our investments in marketable securities, associated companies and joint ventures following deteriorating conditions in the oil and gas industry and supply and demand conditions in the offshore drilling sector.

For further information and fair value considerations, refer to Note 11 - Impairment loss on investments in associated companies.

Note 34 – Commitments and contingencies

Legal Proceedings

From time to time we are a party, as plaintiff or defendant, to lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the construction or operation of our drilling units, in the ordinary course of business or in connection with our acquisition or disposal activities. We believe that the resolution of such claims will not have a material impact, individually or in the aggregate, on our operations or financial condition. Our best estimate of the outcome of the various disputes has been reflected in our Consolidated Financial Statements as at December 31, 2019.

Seabras Sapura joint venture

The Sapura Esmeralda operates under a Brazilian flag. The right to operate under such Brazilian flag is being challenged in the Brazilian courts. An adverse decision in the Brazilian courts could affect the operations of the Sapura Esmeralda and potentially impact its commercial agreements and related financing. Due to the backlog of cases we estimate a decision within approximately 3 years.

Dalian Newbuilds

As at December 31, 2019, all eight of the newbuilding contracts with Dalian had been terminated by both parties. Accordingly, the Seadrill contracting entities had no contractual obligation to take delivery of the rigs.

In January 2019, Dalian appointed an administrator to restructure its liabilities. In March 2019, the Seadrill contracting parties commenced arbitration proceedings in London for all eight rigs and will claim for the return of the paid installments plus interest and further damages for losses.

The Seadrill contracting parties have filed their claims against Dalian in the Dalian insolvency and the insolvency administrator is currently considering whether to accept or reject the claims in the insolvency. The arbitrations are currently not being progressed by agreement of the parties, pending the insolvency administrator's decision whether to accept or reject the Seadrill contracting parties' claims. Dalian has stated that it has claims for damages in respect of each of the rigs, but it has not quantified those damages. The administrator has submitted a draft reorganization plan to the insolvency court which has stated that it will convene a creditor's meeting 30 days from when it receives the same for a vote on the draft plan. The contracts are all with limited liability subsidiaries of Seadrill. There are no parent company guarantees. As at 31 March 2020, the date of the creditor's meeting remains unconfirmed.

Nigerian Cabotage Act litigation

Seadrill Mobile Units Nigeria Ltd ("SMUNL") commenced proceedings in May 2016 against the Honourable Minister for Transportation, the Attorney General of the Federation and the Nigerian Maritime Administration and Safety Agency with respect to interpretation of the Coastal and Inland Shipping (Cabotage) Act 2003 (the "Act"). On June 28 2019, the Federal High Court of Nigeria delivered a judgement finding that: (1) Drilling operations fall within the definition of "Coastal Trade" or "Cabotage" under the Act and (2) Drilling Rigs fall within the definition of "Vessels" under the Act. The impact of this decision is that the Nigerian Maritime Administration and Safety Agency ("NIMASA") may impose a 2% surcharge on contract revenue from offshore drilling operations in Nigeria as well as requiring SMUNL register for Cabotage with NIMASA and pay all fees and tariffs as may be published in the guidelines that may be issued by the Minister of Transportation in accordance with the Act. However, on 22 July, 2019, SMUNL filed an appeal to the Court of Appeal challenging the decision of the Federal High Court. Due to the volume of cases currently being handled by the Court of Appeal sitting in Lagos we anticipate a decision within 3-5 years.

Although we intend to strongly pursue this appeal, we cannot predict the outcome of this case. We do not believe that it is probable that the ultimate liability, if any, resulting from this litigation will have a material effect on our financial position. Accordingly, no loss contingency has been recognized within the Consolidated Financial Statements.

Oro Negro

Oro Negro, a Mexican drilling rig contractor, filed a Complaint on June 6, 2019 in the United States Bankruptcy Court, Southern District of New York, within Chapter 15 proceedings ancillary to its Mexican insolvency process. The Complaint names Seadrill and its JV partner as co-defendants along with other defendants including Oro Negro bondholders. With respect to Seadrill, the Complaint asserts claims relating to alleged tortious interference but does not seek to quantify damages. On August 26, 2019, we submitted a motion to dismiss the Complaint on technical legal grounds. Gil White, the CEO of Oro Negro responded to this motion on October 25, 2019. On January 3, 2020, Oro Negro's foreign representative was changed to Jose Gerardo Badin Cherit. As a consequence there has been an extension to Seadrill responding to Gil White's response in further support of its motion to dismiss until further notice. . We intend to vigorously defend against the claims Oro Negro asserts and dispute the allegations set forth in the Complaint. The costs of defending the claims against Seadrill and its JV partner are being met by the joint venture, SeaMex.

Guarantees

We have issued guarantees in favor of third parties as follows, which is the maximum potential future payment for each type of guarantee:

	Successor	Successor
(In $ millions)	**December 31, 2019**	**December 31, 2018**
Guarantees in favor of customers [1][2][3]	215	7
Guarantees in favor of banks [4]	146	165
Guarantees in favor of suppliers	—	1
Total	**361**	**173**

[1] *Guarantees to Seadrill Partners* - Guarantees in favor of customers are performance guarantees provided on behalf of Seadrill Partners of $15 million (December 31, 2018 (Successor): $7 million). Guarantees in favor of suppliers includes guarantees on behalf of Seadrill Partners of nil (December 31, 2018 (Successor): $1 million). Contractual maturity from 2020-2021.

[2] *Guarantees to Northern Drilling* - Guarantees in favor of customers are performance guarantees provided on behalf of Northern Drilling of $150 million (December 31, 2018 (Successor): $nil). These guarantees are indemnified by Northern Drilling. Contractual maturity till 2022.

[3] *Guarantees to Sonadrill* - Guarantees in favor of customers are performance guarantees provided on behalf of Sonadrill of $50 million (December 31, 2018 (Successor): $nil). Contractual maturity till 2021 and remains in full force and effect until all obligations under the contract have been discharged and in any event shall terminate on the 90th day after completion of demobilization.

[4] *Guarantees to Seabras Sapura* - Guarantees in favor of banks are guarantees provided by a subsidiary of Seadrill Limited on behalf of Seabras Sapura Participacoes and Seabras Sapura Holdco totaling $146 million (December 31, 2018 (Successor): $165 million). Contractual maturity till 2021.

As of December 31, 2019 we have not recognized any liabilities for the above guarantees, as we do not consider it is probable for the guarantees to be called.

On March 26, 2020 we signed a joint sponsor guarantee with Fintech Investments Ltd over the senior secured debt held by SeaMex. The total amount guaranteed is up to $22 million of which we are joint and severally liable.

Other contingencies

Sevan Louisiana loss incident

In January 2019, there was a loss incident on the *Sevan Louisiana* related to a malfunction of its subsea equipment. As of December 31, 2019, we have incurred $19 million of costs to repair the equipment, of which $4 million has been recovered and an additional $14 million will be recoverable under our physical damage insurance.

The loss incident resulted in a period of downtime for the *Sevan Louisiana*. As a result, we have recovered $10 million insurance income from loss of hire of the *Sevan Louisiana,* covering the period until May 2019. As any further loss of hire in bringing the rig back to work in August 2019 was not readily determined as at December 31, 2019 we have not recognized the gain contingency for further amounts recoverable under the policy.

Note 35 – Variable Interest Entities

Between 2007 and 2013, we entered into sale and leaseback arrangements for drilling units with SFL Corporation Ltd, who incorporated subsidiary companies for the sole purpose of owning and leasing the drilling units ("**Ship Finance VIEs**"). We concluded that we are the primary beneficiary of these companies and therefore consolidate them under the variable interest model.

As at December 31, 2019 (Successor), the Ship Finance VIEs lease two semi-submersible rigs and a jack-up rig to certain fully owned Seadrill entities under long-term charter agreements. These agreements include options for the Seadrill entities to purchase the rigs during the charter periods and obligations to purchase the assets at the end of the lease.

The following table gives a summary of the sale and leaseback arrangements and repurchase options, as at December 31, 2019:

Unit	Effective from	Sale value *(In $ millions)*	First repurchase option *(In $ millions)*	Month of first repurchase option	Last repurchase option (1) *(In $ millions)*	Month of last repurchase Option (1)
West Taurus	Nov 2008	850	418	Feb 2015	154	Dec 2024
West Hercules	Oct 2008	850	580	Aug 2011	138	Dec 2024
West Linus	June 2013	600	370	Jun 2018	170	May 2029

(i) Ship Finance has a right to require us to purchase the *West Linus* for $86 million if we don't exercise the final repurchase option.

The bareboat charter rates are set on the basis of a Base LIBOR Interest Rate for each bareboat charter contract, and thereafter are adjusted for differences between the LIBOR fixing each month and the Base LIBOR Interest Rate for each contract. A summary of the average bareboat charter rates per day for each unit is given below for the respective years.

(In $ thousands)	2020	2021	2022	2023	2024
West Taurus	101	96	96	181	177
West Hercules	100	96	96	183	176
West Linus	99	99	92	189	153

The Ship Finance VIEs are fully consolidated in our Consolidated Financial Statements. The equity attributable to Ship Finance in the VIEs is included in non-controlling interests. The rigs are reported within drilling units in our balance sheet. No gain from the sale of the units was recorded at the time of each transaction. The investment in the capital leases recorded in the Ship Finance VIEs are eliminated on consolidation against the corresponding capital lease liability held within Seadrill entities. The other assets and liabilities of the VIEs are fully reflected within the Consolidated Financial Statements.

The balance sheets of the VIEs on a stand-alone basis at December 31, 2019 and December 31, 2018 (Successor) were as follows:

(In $ millions)	Successor As at December 31, 2019	Successor As at December 31, 2018
Cash and cash equivalents	22	2
Investment in finance lease	972	1,024
Total assets of the VIEs (1)	**994**	**1,026**
Short-term interest bearing debt (2)	48	33
Long-term interest bearing debt (2)	550	593
Other liabilities	5	2
Short-term amounts due to related parties	12	31
Long-term debt due to related parties (3)	239	222
Total liabilities of the VIEs	**854**	**881**
Equity of the VIEs	**140**	**145**

(1) Book value of units in the Company's consolidated financial statements as at December 31, 2019 was $784 million (December 31, 2018: $823 million).

(2) Total interest bearing debt comprises principal outstanding of $621 million offset by $23 million debt discount (December 31, 2018: $655 million principal outstanding offset by $29 million debt discount).

(3) We present balances due to/from Ship Finance on a net basis, due to the fact that there is a right to offset established in the long-term loan agreements, and the balances are intended to be settled on a net basis as shown in the table below:

(In $ millions)	Successor As at December 31, 2019	Successor As at December 31, 2018
Debt principal outstanding	314	314
Debt discount	(75)	(88)
Trading liability positions held against long-term loan	—	(4)
Long-term loan due to related parties	**239**	**222**

Note 36 - Supplementary cash flow information

The table below summarizes the non-cash investing and financing activities relating to the periods presented:

	Successor		Predecessor	
(In $ millions)	Year ended December 31, 2019	Period from July 2, 2018 through December 31, 2018	Period from January 1, 2018 through July 1, 2018	Year ended December 31, 2017
Non-cash investing activities				
Sale of rigs and equipment [(1)]	—	—	—	103
Proceeds from repayment of short-term loan from related parties due to Seadrill Partners insulation from Seadrill Limited [(2)]	—	—	—	109
Derecognition of *Sevan Developer* newbuild asset [(3)]	—	—	—	620
Derecognition of *Sevan Developer* construction obligation [(3)]	—	—	—	(526)
Non-cash financing activities				
Repayment of debt following sale of rigs and equipment [(1)]	—	—	—	(103)
Repayment of debt following insulation of Seadrill Partners from Seadrill Limited [(3)]	—	—	—	(109)
Dividend to non-controlling interests in VIEs [(4)]	—	—	—	(14)

(1) During the year ended December 31, 2017 (Predecessor), we completed the sale of the *West Triton, West Resolute* and *West Mischief* to Shelf Drilling, receiving cash consideration of $122 million. This comprised sales value of $225 million offset by $103 million of debt repayments. Refer to Note 9 - Other operating items for further information.

(2) During the year ended December 31, 2017 (Predecessor), Seadrill Partners amended certain credit facilities to insulate itself from Seadrill Limited. This resulted in a $109 million repayment in respect to the $440 million secured debt facility. Refer to Note 31 - Related party transactions for further information on related party transactions.

(3) During the year ended December 31, 2017 (Predecessor), Sevan and Cosco agreed to defer the *Sevan Developer* delivery period until June 30, 2020. The contract amendment included a contract termination clause for Cosco and therefore it was deemed that Sevan had lost control of the asset and therefore derecognized the newbuild asset, which was held at $620 million, construction obligation held at $526 million, and accrued interest and other liabilities held at $19 million, resulting in a net loss on disposal of $75 million. Refer to Note 9 – Other operating items for further information.

(4) During the years ended December 31, 2017, the Ship Finance VIEs declared dividends payable to Ship Finance. Refer to Note 35 - Variable interest entities for further information.

Note 37 – Subsequent Events

Archer convertible note

On March 13, 2020, Archer announced that it had successfully secured a consensual amendment and extension to its debt facilities. This included a reduction to the principal and interest on the convertible loan due to us from Archer, in exchange for a reduced stock conversion price and removal of certain restrictions regarding the sale or conversion of the loan (see Note 31 - "Related party transactions" for details of loan). Following the amendment, the principal due on the loan would be $13 million and the stock conversion price would decrease from $2.083 per share to $0.40. The maturity date of the loan would also extend to April 1, 2024. The transaction is subject to execution of final agreements and completion of closing conditions.

EXECUTION VERSION

DATED 2018

MERMAID INTERNATIONAL VENTURES

MERMAID MARITIME PUBLIC COMPANY LIMITED

SEADRILL LIMITED

and

ASIA OFFSHORE DRILLING LIMITED

TRANSACTION SUPPORT AGREEMENT

551054107

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THIS AGREEMENT is made on 2018

AMONG:

1. MERMAID INTERNATIONAL VENTURES, a company incorporated under the laws of the Cayman Islands, whose principal office is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands ("Mermaid");

2. MERMAID MARITIME PUBLIC COMPANY LIMITED, a company incorporated under the laws of the Kingdom of Thailand, with registered number 0107550000017 and whose principal office is at 26/28-29, Orakarn Building, 9th Floor, Soi Chidlom, Ploenchit Road, Lumpinee, Pathumwan, Bangkok 10330, Thailand ("Mermaid Parent");

3. SEADRILL LIMITED, a company incorporated under the laws of Bermuda, with organization number 36832 and whose principal office is at Par-la-Ville Place, 4th Floor, 14 Par-la-Ville Road, Hamilton, HM 08 Bermuda ("Seadrill Limited"); and

4. ASIA OFFSHORE DRILLING LIMITED, a company incorporated under the laws of Bermuda, with organization number 44712 and whose principal office is at Par-la-Ville Place, 4th Floor, 14 Par-la-Ville Road, Hamilton, HM 08 Bermuda ("AOD"),

each a "Party" and together the "Parties".

BACKGROUND:

(A) Seadrill is undertaking a restructuring and recapitalisation in respect of the Seadrill group's capital structure, as contemplated in the RSA (defined below).

(B) Seadrill, amongst others, is a party to the RSA. It is anticipated that AOD will become a party to the RSA on or around the date of this Agreement.

(C) As part of the restructuring, it is anticipated that certain amendments will be made in relation to the US$360,000,000 senior secured credit facility agreement originally dated 9 April 2013 between, amongst others, Asia Offshore Rig 1 Limited ("AOD 1"), Asia Offshore Rig 2 Limited ("AOD 2") and Asia Offshore Rig 3 Limited ("AOD 3)" and together with AOD 1 and AOD 2, the "AOD Subsidiaries") as borrowers and ABN AMRO Bank N.V. as agent, as summarised in the Term Sheet and the RSA Term Sheets (as defined below).

(D) It is anticipated that Seadrill will transfer its shareholding in AOD to a new holding company ("RigCo"), which will be a wholly-owned Subsidiary of an intermediate holding company ("IHCo"). IHCo will be a wholly-owned Subsidiary of Seadrill.

(E) It is also anticipated that certain amendments will need to be made to, amongst other documents, the AOD Shareholders' Agreement (as defined below) and the AOD Bye-Laws (as defined below) in order to implement and give effect to the transactions contemplated in the Term Sheet.

THE PARTIES AGREE as follows:

1. Interpretation

1.1 Terms defined in the RSA, unless otherwise defined herein or the context otherwise requires, shall have the same meanings when used in this Agreement (but excluding Schedule 1) and in addition:

"Additional Valuer"	has the meaning given to it in Clause 1.5(C) of Schedule 4.
"Affiliate"	means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.
"Approved Restructuring Transaction"	means (A) the restructuring transactions contemplated by the RSA (which at the time of signing this Agreement have the requisite levels of support to be approved by the United States Bankruptcy Court, which approval is expected to be obtained at a hearing on or around 17 April 2018) or (B) a restructuring transaction which is approved by each of Seadrill, AOD (including the directors of AOD appointed by Mermaid and the directors of AOD appointed by RigCo) and by Mermaid whether under a replacement restructuring support and lock-up agreement or otherwise.
"AOD Bye-Laws"	means the bye-laws of AOD originally adopted on 1 November 2010 and as subsequently amended from time to time.
"AOD Facility Agreement"	means the US$360,000,000 senior secured credit facility agreement originally dated 9 April 2013 between, amongst others, the AOD Subsidiaries as borrowers, AOD and Seadrill as guarantors, and ABN AMRO Bank N.V. as agent.
"**AOD Shareholders'** Agreement"	means the shareholders' agreement in respect of AOD dated 8 March 2013 between Seadrill and Mermaid.
"AOD Transactions"	means the transactions contemplated in the Term Sheet.
"**Arbitrator**"	means a sole arbitrator located in Singapore to be appointed under the SIAC Rules.
"Authorisation"	means any authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or

registration.

"Business Day"	means a day that is not a Saturday, a Sunday or a national public holiday in Bangkok, London or Oslo.
"Calculated Share Price"	means the amount determined by multiplying (a) the Fair Market Value by (b) a number, the numerator of which equals the number of shares in AOD held by Mermaid and the denominator of which equals the total number of shares of AOD issued and outstanding.
"Call Option Period"	means, subject to Clause 8.6, the six month period commencing on 1 October 2020 and ending on 31 March 2021.
"Cause of Action"	means any action, Claim, cause of action, controversy, demand, right, action, charge against or interest in property to secure payment of a debt or performance of an obligation, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, whether known, unknown, contingent or noncontingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, in contract or in tort, in law or in equity, or pursuant to any other theory of law.
"Ceiling Price"	means US$125,000,000.
"Chapter 11"	means title 11 of the United States Code, 11 U.S.C. §§ 101–1532.
"Chapter 11 Cases"	means the procedurally consolidated Chapter 11 cases pending for Seadrill and certain of the Subsidiaries of Seadrill in the United States Bankruptcy Court for the Southern District of Texas, Victoria Division (or such other court having jurisdiction over the Chapter 11 Cases) pursuant to the Order (i) Directing Joint Administration of Chapter 11 Cases and (ii) Granting Related Relief Docket No. 40.
"Claim"	means (i) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured and calculated together with all applicable accrued

interest, fees and commission due, owing or incurred from time to time by any Party or (ii) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. For the avoidance of doubt, the definition of Claim as defined in this Agreement is no less broad than the definition of claim as defined in section 101(5) of title 11 of the United States Code.

"Completion"	means a date, which shall be agreed between RigCo and Mermaid (but which shall be no later than 15 calendar days after the Option Exercise Date) as the date on which RigCo and Mermaid take each action set out in Clause 8.14 in connection with the sale and purchase of the Mermaid AOD Shares.
"Contingent Liability"	means any contingent liability which is: (A) noted in AOD's audited financial statements; or (B) as determined by an Expert, in each case above, in accordance with accounting standards, and principally in accordance with ASC 450 of the U.S. GAAP and which is considered owed to a third party pursuant to a valid court order or valid legal action undertaken or made by that third party and not owed to RigCo or Mermaid, or to any Affiliate of RigCo or Mermaid or to the shareholders of any such Affiliate.
"Corporate Management Agreement"	means the corporate management agreement originally entered into between AOD and Mermaid on 30 November 2010, and novated to different parties, most recently to the AOD Subsidiaries, Seadrill Management UK Ltd and Seadrill Management AME Ltd, and as amended supplemented or restated by this Agreement or otherwise.
"Corporate Management Fees"	means the daily corporate management fee for day-to-day corporate management of AOD and its Subsidiaries as further described in Schedule 1 of the Corporate Management Agreement.

"Encumbrance"	means any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, and any other type of preferential arrangement (including, without limitation, title transfer and retention arrangements) having a similar effect.
"Expert"	means the Copenhagen office or branch of one of the following accounting firms: (A) Deloitte Touche Tohmatsu Limited; (B) Ernst & Young; (C) PricewaterhouseCoopers; or (D) KPMG.
"Fair Market Value"	means: (A) the value agreed between the Parties pursuant to Clause 9.1; or (B) the value determined by the Expert in accordance with the Valuation Principles.
"Floor Price"	means US$75,000,000.
"Holding Company"	means a person from time to time which: (A) has direct or indirect control of another person; or (B) owns directly or indirectly more than fifty per cent (50%) (votes and/or capital) of another person.
"Mermaid AOD Shares"	means all the shares in AOD legally and beneficially owned by Mermaid or a Subsidiary of Mermaid.
"New Seadrill"	means a company to be incorporated under the laws of Bermuda and whose principal office will be at Par-la-Ville Place, 4th Floor, 14 Par-la-Ville Road, Hamilton, HM 08 Bermuda.
"New Seadrill Accession Notice"	means the accession notice substantially in the form as set out in Schedule 6 (Form of New Seadrill Accession Notice) or any other form agreed between

	the Parties.
"NYSE"	means the New York Stock Exchange.
"Option Exercise Date"	means the date on which (as applicable) RigCo and Seadrill receive an Option Notice in respect of the Put Option or Mermaid receives an Option Notice in respect of the Call Option.
"Option Notice"	means a notice in the form set out in Schedule 2 in relation to the exercise of (as applicable) the Put Option or the Call Option under the terms of this Agreement.
"OSE"	means the Oslo Stock Exchange.
"Other Net Assets"	means all of AOD's assets and property other than the Rigs, minus all liabilities and also taking into consideration Contingent Liabilities.
"Put Option Period"	means, subject to Clause 8.4, the 12 month period commencing on 1 October 2019 and ending on 30 September 2020.
"Restructuring Fees"	means the restructuring fees incurred by Seadrill and members of the Seadrill group in connection with the Restructuring Transactions, as defined in the RSA.
"Rig Management Fees"	means the daily management fee per rig for the operation of each of the jack-up rigs AOD I, AOD II and AOD III as set out in the applicable rig management agreements pursuant to Clause 3.2 of the Corporate Management Agreement.
"RigCo Accession Notice"	means the accession notice substantially in the form as set out in Schedule 5 (Form of RigCo Accession Notice) or any other form agreed between the Parties.
"Rigs"	means the three (3) KFELS Mod V-B Class mobile offshore drilling units owned and operated by AOD or the AOD Subsidiaries, such Rigs being AOD I, AOD II and AOD III respectively.
"**Rigs Market Value**"	means the value of the Rigs as determined in accordance with Schedule 4 (Valuation Principles).
"RSA"	means the restructuring support and lock-up agreement dated 12 September 2017 entered into between, amongst others, Seadrill, certain of

Seadrill's direct and indirect Subsidiaries and certain of Seadrill's stakeholders in substantially the same form as set out in Schedule 3 (RSA).

"RSA Term Sheets" — means the term sheets set out at Exhibit A to the RSA.

"Scheme of Arrangement" — means a creditor scheme of arrangement under:

(A) Part 26 of the Companies Act 2006 (United Kingdom);

(B) Section 99 of the Companies Act 1981 (Bermuda); or

(C) the Laws of any other relevant jurisdiction, as determined by the Parties,

with respect to the AOD Facility Agreement.

"Seadrill" — means Seadrill Limited until the Restructuring Effective Date as defined in the RSA at which point references to Seadrill shall mean New Seadrill.

"Seadrill Debtors" — means Seadrill and the Subsidiaries of Seadrill in respect of which the Chapter 11 Cases were commenced.

"SIAC Rules" — means the Arbitration Rules of the Singapore International Arbitration Centre in effect from time to time.

"Subsidiary" — means an entity from time to time of which a person:

(A) has direct or indirect control; or

(B) owns directly or indirectly more than fifty per cent (50%) (votes and/or capital).

"Term Sheet" — means the Term Sheet set out in Schedule 1 (Term Sheet).

"Transaction Documents" — means all agreements and other documents necessary or desirable to implement or give effect to the AOD Transactions.

"Valuation Notice" — means a notice served by Mermaid or RigCo (as applicable), requesting a valuation of the Mermaid AOD Shares in accordance with Clause 9 and the

Valuation Principles.

"Valuation Principles" means the valuation principles set out in Schedule 4 (Valuation Principles).

"Valuer" means either:

(A) an internationally recognised independent valuation expert or appraiser with at least ten (10) years of experience in or relating to the offshore drilling rig industry, including experience during the five (5) years immediately preceding a proposed appointment hereunder, in valuing rigs similar to the Rigs, and who is capable of providing a professional independent valuation in respect of the Rigs Market Value; or

(B) a rig brokerage firm with industry-recognized key employees with at least ten (10) years of experience in or relating to the offshore drilling rig industry, including experience during the five (5) years immediately preceding a proposed appointment hereunder, in valuing rigs similar to the Rigs, and which is capable of providing a professional independent valuation in respect of the Rigs Market Value; or

(C) a valuer that may not meet the aforesaid qualifications but is mutually agreed by Mermaid and RigCo.

"Val**uer's Report**" means the report issued by a Valuer setting out their valuation of the Rigs in accordance with Schedule 4 (Valuation Principles).

1.2 In this Agreement, unless otherwise specified:

(A) references to clauses and Schedules are to clauses of, and Schedules to, this Agreement;

(B) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender;

(C) capitalised terms defined only in the plural or singular form shall nonetheless have their defined meanings when used in the opposite form;

(D) any reference to a contract or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;

(E) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted and shall include any subordinate legislation made from time to time under that statute or statutory provision;

(F) any reference to a document shall mean such document as it may have been or may be amended, modified, supplemented and/or novated (other than in breach of the provisions of this Agreement) from time to time;

(G) references to a "company" shall be construed so as to include any corporation or other body corporate, wherever and however incorporated or established;

(H) references to a "person" shall be construed so as to include any individual, firm, company, corporation, body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture, association, partnership or other unincorporated body (whether or not having separate legal personality);

(I) the use of "include" or "including" is without limitation, whether stated or not;

(J) all headings and titles are inserted for convenience only and do not affect the interpretation of this Agreement; and

(K) the Schedules form part of this Agreement and any reference to this Agreement shall include the Schedules.

2. Effectiveness of this Agreement

This Agreement shall become effective and binding upon each of the Parties on and from the date on which all Parties have duly executed this Agreement.

3. New Seadrill Accession Notice

3.1 The Parties irrevocably agree that New Seadrill shall accede to this Agreement by delivering the New Seadrill Accession Notice to Mermaid and AOD.

3.2 Seadrill undertakes to incorporate New Seadrill as soon as reasonably practicable and procure that New Seadrill will deliver the New Seadrill Accession Notice to Mermaid and AOD as soon as is reasonably practicable following New Seadrill's incorporation.

4. RigCo Accession Notice

4.1 The Parties irrevocably agree that RigCo shall accede to this Agreement by delivering the RigCo Accession Notice to Mermaid and AOD.

4.2 Seadrill undertakes to incorporate RigCo as soon as reasonably practicable and procure that RigCo will deliver the RigCo Accession Notice to Mermaid and AOD as soon as is reasonably practicable following RigCo's incorporation.

5. Mermaid Parent Undertaking

Mermaid Parent undertakes to procure that Mermaid will fulfil its obligations under this Agreement.

6. Chapter 11 Filing

6.1 Subject to Clause 6.2, the Parties acknowledge and agree that it is the current intention of the Parties to use reasonable efforts to avoid AOD commencing a voluntary case under Chapter 11. If (and only for so long as) each lender (including any successor thereof) under the AOD Facility supports an Approved Restructuring Transaction, AOD shall not commence a voluntary case under Chapter 11 or any other insolvency proceeding without the unanimous approval of the board of directors of AOD.

6.2 Clause 6.1 is not intended to limit the requirement for the directors of AOD to comply with their fiduciary duties and to consider alternative options if facts and circumstances change after this Agreement becomes effective.

7. Undertakings

7.1 Each of Seadrill, Mermaid, Mermaid Parent, RigCo and AOD undertakes that it shall, and AOD undertakes to procure that its Subsidiaries shall:

(A) without prejudice to Clause 7.1(B), take all actions and exercise all rights and powers available to it (including any rights or powers it has as a shareholder) in order to implement, consummate or otherwise give effect to the AOD Transactions and the Transaction Documents, including to support and take all commercially reasonable actions necessary or reasonably requested by Seadrill or AOD to give effect to a Scheme of Arrangement, provided that there are no changes to the Term Sheet or provisions in the Transaction Documents which are materially prejudicial to Seadrill, AOD, Mermaid or Mermaid Parent (as the case may be) or materially alter the economic substance and commercial terms of the AOD Transactions;

(B) enter into amendments to the AOD Shareholders' Agreement and the AOD Bye-Laws which are necessary in order to:

(i) reflect that Seadrill's stake in AOD will be hived down to a newly incorporated indirect Subsidiary, RigCo (as set out in section 2 (Equity in AOD) of the Term Sheet);

(ii) implement and give effect to the contemplated rights of AOD to make, and the rights of the shareholders of AOD to receive, distributions as set out in section 3 (AOD Participation in Cross-Collateralisation and Cash Pooling) of the Term Sheet;

(iii) implement and give effect to the contemplated rights and obligations of AOD to make loans to the shareholders of AOD as set out in section 3 (AOD Participation in Cross-Collateralisation and Cash Pooling) of the Term Sheet and to call for repayment of such loans on a pro rata basis as set out in section 3 (AOD Participation in Cross-Collateralisation and Cash Pooling) of the Term Sheet; and

(C) implement and give effect to:

(i) the obligations of each shareholder of AOD to repay any loan made by AOD to it (as referred to in Clause 7.1(B)(iii) above and as set out in section 3 (AOD Participation in Cross-Collateralisation and Cash Pooling) of the Term Sheet); and

(ii) implement and give effect to the contemplated rights and obligations of each director of AOD appointed by Mermaid or by RigCo with regards to consents and approvals concerning the making of loans to Mermaid and/or to RigCo and/or the borrowing of loan amounts from RigCo by AOD or its Subsidiaries,

and provided that Seadrill and Mermaid shall first discuss in good faith the precise form of such amendments and that all amendments to the AOD Shareholders' Agreement and the AOD Bye-Laws shall be subject to the express consent and approval of Seadrill and Mermaid;

(D) take all actions and exercise all rights and powers available to it (including any rights or powers it has as a shareholder) in order to make such amendments to:

(i) bye-law 49 in the AOD Bye-Laws (a) to enable the AOD Transactions to be implemented, consummated and carried out without requiring any further resolutions, vote or approvals (whether of the directors or shareholders of AOD or otherwise) and (b) so that bye-law 49 applies only where the relevant actions, transactions or arrangements involve AOD and/or its Subsidiaries; and

(ii) bye-law 51 in the AOD Bye-Laws so that bye-law 51 does not apply to loans made by AOD to its shareholders or to any of the AOD Transactions,

and provided that Seadrill and Mermaid shall first discuss in good faith the precise form of such amendments and that all amendments to the AOD Bye-Laws shall be subject to the express consent and approval of Seadrill and Mermaid;

(E) negotiate in good faith and consult with each other Party, any relevant third party and their respective advisers to agree and finalise the Transaction Documents in a timely manner in a form which is consistent in all material respects with the Term Sheet and this Agreement and satisfactory to each of Seadrill, Mermaid and AOD (acting reasonably); and

(F) use commercially reasonable efforts to execute and deliver in a timely manner those Transaction Documents to which it will be a party,

in each case, provided that such action is consistent in all material respects with the terms of this Agreement.

7.2 Each of Mermaid, Seadrill and AOD agrees that it shall not, and AOD undertakes to procure that its Subsidiaries shall not, object to, delay, impede or prevent the implementation or consummation of the AOD Transactions, provided that:

(A) AOD has entered into the RSA or the board of directors of AOD has approved the AOD Transactions; and

(B) nothing in this Agreement shall limit the right of any Party to exercise any right or remedy provided under any Definitive Document (as defined in the RSA) or Transaction Document.

7.3 Except as required by the terms of this Agreement, Mermaid and Seadrill shall continue to perform their respective obligations under the AOD Shareholders' Agreement.

7.4 The Parties acknowledge and agree that AOD has been charged US$5,000,000 of Restructuring Fees incurred by AOD prior to the date of this Agreement. The Parties further acknowledge and agree that a discount of 50% shall be applied to AOD's pro rata share of the Restructuring Fees incurred from and after 1 November 2017 and that in any event AOD shall not be required to pay an amount that exceeds US$2,000,000 in respect of the Restructuring Fees incurred from and after 1 November 2017. Seadrill further represents, warrants and covenants that the amount of the Restructuring Fees incurred by AOD shall not be more than the pro rata amount of the Restructuring Fees that is determined by applying a percentage to the Restructuring Fees that represents the total amount outstanding under the AOD Facility as a proportion of the total debt of the Seadrill group under each of the secured facility agreements entered into by Seadrill and various Subsidiaries of Seadrill, excluding costs specifically related to Seadrill's voluntary Chapter 11 Cases. Seadrill shall provide Mermaid a summary of the Restructuring Fees incurred.

7.5 The Parties agree that AOD will reimburse Mermaid's documented external legal costs incurred in connection with this Agreement, subject to a cap of US$250,000.

7.6 The Rig Management Fees incurred by AOD and the AOD Subsidiaries on and from 1 January 2018 will be reduced to US$7,500 per day per rig, unless otherwise reduced or increased with the prior written agreement of RigCo and Mermaid.

7.7 The Corporate Management Fees incurred by AOD and the AOD Subsidiaries on and from 1 January 2018 will be reduced to US$2,000 per day, unless otherwise agreed to be reduced or increased with the prior written consent of RigCo and Mermaid.

7.8 Seadrill shall provide Mermaid copies of documents which demonstrate:

(A) the basis on which the Rig Management Fees which are incurred and paid by AOD and the AOD Subsidiaries are calculated including regional, corporate and pro-rata allocation mechanisms; and

(B) that the Rig Management Fees represent only the costs and expenses actually incurred by Seadrill in connection with the operation of each of the Rigs and that, notwithstanding applicable compulsory transfer pricing regulations, no profit will accrue to Seadrill or its Subsidiaries from the Rig Management Fees.

8. Put Option and Call Option

8.1 Mermaid shall have the right (with no obligation) at any time during the Put Option Period to sell the Mermaid AOD Shares to RigCo (the "Put Option"). Mermaid may issue a Valuation Notice to RigCo (or otherwise prepare for the exercise of the Put Option) from up to three (3) months prior to the commencement of the Put Option Period and at any time until the end of the Put Option Period (the "Put Option Valuation Notice Period"), and RigCo shall co-operate accordingly.

8.2 RigCo shall have the right (with no obligation) at any time during the Call Option Period to purchase the Mermaid AOD Shares (the "Call Option"). RigCo may issue a Valuation Notice to Mermaid (or otherwise prepare for the exercise of the Call Option) at any time from up to three (3) months prior to the commencement of the Call Option Period and at any time until the end of the Call Option Period (the "Call Option Valuation Notice Period"), and Mermaid shall co-operate accordingly.

8.3 If Mermaid has issued a Valuation Notice, Mermaid may in its discretion issue an Option Notice to RigCo with a copy to Seadrill within three (3) months of receipt by RigCo and Mermaid of a Valuer's Report. On receipt of the Option Notice, and upon receipt of notice of the Fair Market Value and the Calculated Share Price and notwithstanding any other provisions to the contrary, RigCo unconditionally and irrevocably undertakes to purchase during the Put Option Period the Mermaid AOD Shares at Completion. The purchase price for the Mermaid AOD Shares pursuant to this Clause 8.3 shall be the lesser of the Calculated Share Price and the Ceiling Price (the "Put Option Price").

8.4 If, for any reason whatsoever, Seadrill Limited does not emerge from Chapter 11 with AOD signed up to an Approved Restructuring Transaction by 30 September 2018, the Put Option Period shall instead commence one year and one day after the date on which Seadrill Limited emerges from Chapter 11 with AOD signed up to an Approved Restructuring Transaction and the Put Option Period shall end twelve months later.

8.5 If RigCo has issued a Valuation Notice, RigCo may in its discretion issue an Option Notice to Mermaid with a copy to Seadrill within three (3) months of receipt by RigCo and Mermaid of a Valuer's Report. On receipt of the Option Notice, and upon receipt of notice of the Fair Market Value and the Calculated Share Price and notwithstanding any other provisions to the contrary, Mermaid unconditionally and irrevocably undertakes to sell during the Call Option Period the Mermaid AOD Shares at Completion. The purchase price for Mermaid's AOD Shares pursuant to this Clause 8.5 shall be the greater of the Calculated Share Price and the Floor Price (the "Call Option Price").

8.6 If, for any reason whatsoever, Seadrill Limited does not emerge from Chapter 11 with AOD signed up to an Approved Restructuring Transaction by 30 September 2018, the Call Option Period shall instead commence two years and one day after the date on which Seadrill Limited emerges from Chapter 11 with AOD signed up to an Approved Restructuring Transaction and the Call Option Period shall end on the date falling six months thereafter.

8.7 For the avoidance of doubt, there shall be no limit on the number of Valuation Notices that Mermaid or RigCo may issue in accordance with Clause 8.1 or Clause 8.2 (as applicable) during the Put Option Valuation Notice Period or the Call Option Valuation Notice Period.

8.8 In the event that any disagreement or dispute is referred to an Additional Valuer or an Arbitrator in accordance with the Valuation Principles, the Call Option Period and Put Option Period shall be extended by the equivalent duration of any delay caused by the disagreement or dispute. The cost of a third Valuer and/or Arbitrator shall be borne equally by RigCo and Mermaid. Where a Party issues a Valuation Notice and does not proceed to issue an Option Notice within three (3) months of receipt of a Valuer's Report, the cost of the third Valuer shall be borne solely by that Party.

8.9 An Option Notice may not be withdrawn once given.

8.10 On the receipt of an Option Notice, the recipient shall, no later than two (2) Business Days following receipt, sign the acknowledgement at the back of the Option Notice and return it to the sender.

8.11 If the Call Option or the Put Option is exercised, then:

(A) subject to the terms of this Agreement, Mermaid shall sell and RigCo shall purchase the Mermaid AOD Shares free from all Encumbrances and with all rights attached or accruing to them at Completion, in accordance with the provisions of this Agreement;

(B) all dividends and other distributions resolved or declared to be paid or made by AOD in respect of the Mermaid AOD Shares by reference to a record date which falls on or before Completion shall belong to, and be payable to, Mermaid; and

(C) Mermaid shall repay the total amount outstanding under the loans advanced to it by AOD, including pursuant to Schedule 1 of this Agreement, including any accrued interest (the "AOD Mermaid Loan Amount") prior to Completion.

8.12 If Mermaid has not repaid to AOD the AOD Mermaid Loan Amount one (1) Business Day prior to Completion, RigCo shall be entitled to deduct an amount equal to the AOD Mermaid Loan Amount from the cash consideration payable in accordance with Clause 8.14(A)(i) below (the "AOD Mermaid Loan Set Off").

8.13 If RigCo elects to make the AOD Mermaid Loan Set Off, RigCo undertakes to pay an amount equal to the AOD Mermaid Loan Amount to AOD on Completion and AOD irrevocably consents to RigCo making the AOD Mermaid Loan Set Off.

8.14 At Completion:

(A) Consideration for the Mermaid AOD Shares shall be satisfied by:

(i) Subject to Clause 8.12, RigCo paying US$50 million in cash into Mermaid's nominated bank account; and

(ii) Seadrill issuing ordinary shares to Mermaid or a Mermaid nominated entity. The value of each share to be issued to Mermaid shall be calculated by reference to and shall be the volume-weighted average price during the sixty (60) calendar day period ending two (2) Stock Exchange Trading Days prior to Completion (the "New Seadrill Share Value"). The quantity of shares to be issued shall be determined by subtracting US$50 million from the Put Option Price or Call Option Price, as applicable (the difference being the "Excess Amount"), and dividing the Excess Amount by the New Seadrill Share Value (the "New Seadrill Share Consideration"), where "Stock Exchange Trading Day" means:

(1) (where the New Seadrill Share Consideration will be issued in the form of ordinary shares that are listed on the NYSE) a day on which the NYSE is open;

(2) (where the New Seadrill Share Consideration will be issued in the form of ordinary shares that are listed on the OSE) a day on which the OSE is open; and

(3) (where the New Seadrill Share Consideration will be issued in the form of ordinary shares that are listed and freely tradeable on any other recognised stock exchange agreed by the Parties in accordance with Clause 8.14(B)) a day on which that stock exchange is open.

(B) Seadrill shall issue to Mermaid or its designee the whole of the New Seadrill Share Consideration in ordinary shares that are listed and freely tradeable on the NYSE, the OSE and/or any recognised stock exchange agreed by the Parties. If the shares are listed on multiple stock exchanges, Mermaid shall be entitled to specify the stock exchange on which the shares to be issued to Mermaid are listed.

(C) If at Completion the shares representing the New Seadrill Share Consideration are not listed on the NYSE, the OSE and/or any recognised stock exchange agreed by the Parties at Completion, Seadrill shall pay to Mermaid at or prior to Completion the full amount of the New Seadrill Consideration in cash (unless otherwise agreed by Seadrill and Mermaid).

(D) Mermaid will:

(i) deliver to RigCo a duly executed instrument of transfer, together with all

relevant share certificates and other documents of title, in respect of the Mermaid AOD Shares, executed in favour of RigCo or its nominee;

(ii) deliver to RigCo all waivers or consents as may be required by law, any regulatory requirement, the bye-laws of AOD or any agreement to which AOD is a party in order to enable RigCo or its nominee to be registered as legal and beneficial holder of the Mermaid AOD Shares; and

(iii) at the expense of Mermaid, do such things and execute such documents as shall be necessary or as RigCo may reasonably request to give effect to the sale of the Mermaid AOD Shares with full title guarantee and free from any Encumbrance.

8.15 Mermaid agrees that it will not (or enter into any agreement or arrangement to) directly or indirectly sell, assign, transfer or otherwise dispose of or convey any legal or beneficial interest in any of the Mermaid AOD Shares (a "Proposed AOD Share Transfer") to any person (a "Proposed Purchaser") without the prior written consent of RigCo which shall not be subject to unreasonable conditions, nor unreasonably withheld or delayed.

8.16 As a condition to any consent to a Proposed AOD Share Transfer, Mermaid must procure that any person to whom it proposes to sell, assign, transfer or otherwise dispose of or convey the Mermaid AOD Shares accedes to or otherwise becomes bound by the terms of this Agreement in the place of Mermaid (the "Mermaid TSA Obligations").

8.17 RigCo may, acting reasonably, make its consent to a Proposed AOD Share Transfer subject to conditions in addition to the condition in Clause 8.16, including without limitation, receipt of financial information and other information relating to the incorporation and corporate status of a Proposed Purchaser, the shareholders and activities of a Proposed Purchaser and information that demonstrates the ability of the Proposed Purchaser to perform the Mermaid TSA Obligations.

9. Valuation of Mermaid AOD Shares

9.1 Mermaid and RigCo shall within five (5) Business Days after receipt of a Valuation Notice promptly meet in person or telephonically and use reasonable efforts to agree on the Fair Market Value.

9.2 If within ten (10) Business Days of receipt of a Valuation Notice, Mermaid and RigCo fail for any reason to agree on the Fair Market Value:

(A) Mermaid and RigCo shall promptly and in no event later than fifteen (15) Business Days of receipt by the recipient of the Valuation Notice (i) each select a Valuer and (ii) give notice to the other Party of such Valuer's name and address. If either Mermaid or RigCo fails to select a Valuer and give notice of such selection to the other Party as provided herein, the Party who has selected a Valuer shall appoint two Valuers each of whom shall prepare and provide to the Parties a Valuer's Report. Each Valuer shall provide a Valuer's Report to Mermaid and RigCo within one (1) month from the date of its appointment; and

(B) AOD shall promptly, and by mutual agreement by RigCo and Mermaid, and in no event later than fifteen (15) Business Days of receipt of the Valuation Notice appoint the Expert, to conduct a valuation of the Other Net Assets and to determine the Fair Market Value based on the Rigs Market Value and the value of the Other Net Assets. If Mermaid and RigCo have failed to agree on an Expert within this fifteen (15) Business Day period, then either Party shall have the right to refer the matter to an Arbitrator who shall appoint an Expert within fifteen (15) calendar days of his appointment. The Expert shall provide its valuation of the value of the Other Net Assets within one (1) month from the date of its appointment.

9.3 The Parties agree and acknowledge that the provisions set out in Schedule 4 shall apply to the appointment of, and the work to be performed by, the Valuers and the Expert and that breach of the provisions of Schedule 4 which has a material effect on the Rigs Market Value or Other Net Assets shall give rise to the Parties' rights to arbitration as provided under Clause 26 (Governing Law and Jurisdiction).

10. Amendments to terms

Each Party hereby acknowledges that the Term Sheet and the RSA (including the RSA Term Sheets) set out in summary only the key terms and steps which may be pursued in order to effect the AOD Transactions, and the Parties agree that Seadrill may make any amendment, variation and/or addition to the Term Sheet, the RSA and the RSA Term Sheets, provided that:

(A) any such amendment, variation or addition is not materially adverse to the interests of Mermaid, Mermaid Parent or AOD; and

(B) the provisions of this Agreement (excluding (i) the Term Sheet other than the provisions of the Term Sheet that relate to AOD's participation in the RigCo cash pooling arrangements and the application of Excess Sales Proceeds (as defined in the Term Sheet) as far as they relate to rigs owned by the AOD Subsidiaries and (ii) the RSA other than the provisions in Exhibit A to the RSA that relate to AOD, its creditors and its shareholders) may only be modified, amended, varied or waived in accordance with Clause 17.2 (Entire Agreement).

For the avoidance of doubt, any amendment, variation and/or addition to the Term Sheet, the RSA or the RSA Term Sheets which is materially adverse to the interests of Mermaid, Mermaid Parent or AOD or affecting the AOD Shareholders' Agreement shall require the prior written consent of Mermaid, Mermaid Parent and/or AOD (as the case may be).

11. Releases

(A) For good and valuable consideration, effective upon bankruptcy court approval of this Agreement, each Party hereby releases and discharges each other Party from any and all Causes of Action, whether known or unknown, asserted on behalf of such releasing Party or that such releasing Party would have been legally entitled to assert (whether individually or collectively), arising on or

before the date of this Agreement directly from any Party's negotiation of or entry into this Agreement.

(B) The releases set forth in Clause 11(A) above do not release any Causes of Action to the extent any such Cause of Action, as determined by a final order of a court of competent jurisdiction, arises out of or relates to any act or omission of a Party that constitutes actual fraud, wilful misconduct, or gross negligence.

12. Other rights

Notwithstanding anything contained in this Agreement, nothing in this Agreement shall:

(A) be constructed to prohibit any Party from contesting whether any matter, fact or thing is a breach of, or is inconsistent with, this Agreement;

(B) prevent any Party from enforcing this Agreement;

(C) require any Party to take any action which is prohibited by applicable law;

(D) prevent any Party from taking any action which is required by applicable law; and

(E) prevent any Party by reason of this Agreement or the AOD Transactions from making, seeking or receiving any Authorisations.

13. Representations, Warranties and Covenants

Each of the Parties represents, warrants and covenants to each other Party, as of the date such party executed and delivers this Agreement:

(A) it is validly existing and in good standing under the laws of the state of its organisation, and this Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by equitable principles relating to enforceability;

(B) the entry into and performance by it of, and the transactions contemplated by, this Agreement do not, and will not, conflict in any material respect with any law or regulation applicable to it or with any of its articles of association, memorandum of association or other constitutional documents; and

(C) except as expressly provided in this Agreement, it has (or will have, at the relevant time) all requisite corporate or other power and authority to enter into, execute and deliver this Agreement and to effectuate the AOD Transactions as contemplated by, and perform its respective obligations under, this Agreement.

14. Information updates

Seadrill agrees to keep AOD and Mermaid informed as to the progress of the material aspects of Seadrill's restructuring process which are relevant to AOD and Mermaid

(including Seadrill's voluntary case under Chapter 11) on a monthly basis, or at such other frequency or times as requested by AOD or Mermaid (acting reasonably).

15. Termination

15.1 This Agreement may be terminated by agreement in writing between the Parties.

15.2 This Agreement may be terminated by any Party upon the breach in any material respect by one or more of the other Parties of any provision set forth in this Agreement that remains uncured for a period of ten (10) Business Days after the receipt by the non-terminating Parties of notice of such breach.

15.3 This Agreement shall terminate automatically without any further required action or notice on termination of the RSA in accordance with its terms, other than if the RSA terminates under section 13.07 (Automatic Termination) of the RSA.

15.4 If this Agreement terminates in accordance with this Clause 15 all obligations of the Parties shall end (except for the provisions of Clause 7.6, Clause 7.7, Clauses 8 (Put Option and Call Option), Clause 9 (Valuation of Mermaid AOD Shares), Clause 11 (Releases), 17 (Entire Agreement), 18 (Notices), 19 (Language), 20 (Costs and Expenses), 21 (Execution of Agreement), 22 (Invalidity), 23 (Permitted Disclosures) 24 (Third Parties and Assignment), 25 (Specific Performance), 26 (Governing law and Jurisdiction) and Schedule 4. For the avoidance of doubt all rights and liabilities of the Parties which have accrued before termination shall continue to exist.

16. Remedies and Waivers

16.1 No delay or omission by any Party in exercising any right, power or remedy provided by law or under this Agreement shall:

(A) affect that right, power or remedy; or

(B) operate as a waiver of it.

16.2 All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

17. Entire Agreement

17.1 This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, among the Parties with respect thereto, other than the RSA.

17.2 This Agreement (excluding (i) the Term Sheet other than the provisions of the Term Sheet that relate to AOD's participation in the RigCo cash pooling arrangements and the application of Excess Sales Proceeds (as defined in the Term Sheet) as far as they relate to rigs owned by the AOD Subsidiaries and (ii) the RSA) may only be varied in

writing signed by each of the Parties. For this purpose, a variation to this Agreement shall include any addition, deletion, supplement or replacement, howsoever effected.

18. Notices

18.1 All notices hereunder shall be deemed given if in writing and delivered, if sent by electronic mail, courier, or registered or certified mail (return receipt requested) to the following addresses (or at such other addresses as shall be specified by like notice):

Party and title of individual	Address
Mermaid Maritime Public Company Limited	26/28-29, Orakarn Building, 9th Floor Soi Chidlom, Ploenchit Road, Lumpinee, Pathumwan, Bangkok 10330, Thailand Attention: Vincent Siaw, Chief Operating Officer E-mail address: vincent.s@mermaid-group.com With copies for information only (which shall not constitute notice) to: Attention: Phiboon Buakhunngamcharoen E-mail address: phiboon.b@mermaid-group.com Attention: Wuthichai Chongcharoenrungrot E-mail address: wuthichai.c@mermaid-group.com
Mermaid International Ventures	Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands Attention: Vincent Siaw, Chief Operating Officer E-mail address: vincent.s@mermaid-group.com With copies for information only (which shall not constitute notice) to: Attention: Phiboon Buakhunngamcharoen E-mail address: phiboon.b@mermaid-group.com Attention: Wuthichai Chongcharoenrungrot E-mail address: wuthichai.c@mermaid-group.com
New Seadrill	New Seadrill Par-la-Ville Place

14 Par-la-Ville Road
Hamilton HM 08, Bermuda
Attention: Georgina Sousa
E-mail address: Gsousa@front.bm

with copies for information only (which shall not constitute notice) to:

Seadrill Management Ltd.
(Corporate Headquarters)
2nd Floor
Building 11
Chiswick Business Park
566 Chiswick High Road
London W4 5YS
United Kingdom
Attention: Chris Edwards
E-mail address: Chris.Edwards@seadrill.com

Seadrill Limited	Seadrill Limited Par-la-Ville Place 14 Par-la-Ville Road Hamilton HM 08, Bermuda Attention: Georgina Sousa E-mail address: Gsousa@front.bm with copies for information only (which shall not constitute notice) to: Seadrill Management Ltd. (Corporate Headquarters) 2nd Floor Building 11 Chiswick Business Park 566 Chiswick High Road London W4 5YS United Kingdom Attention: Chris Edwards E-mail address: Chris.Edwards@seadrill.com
Asia Offshore Drilling Limited	Asia Offshore Drilling Limited Par-la-Ville Place 14 Par-la-Ville Road Hamilton HM 08, Bermuda Attention: Clare Burnard E-mail address: cburnard@front.bm Attention: Jon Olav Østhus E-mail address: jon.olav.osthus@seadrill.com

18.2 Any notice given by delivery, mail or courier shall be effective when received.

19. Language

19.1 Each notice or other communication under or in connection with this Agreement shall be:

(A) in English; or

(B) if not in English, accompanied by an English translation made by a translator, and certified by an officer of the Party giving the notice to be accurate,

and in the case of any conflict between a notice and its English translation, the English translation shall prevail.

19.2 The receiving Party shall be entitled to assume the accuracy of and rely upon any English translation of any document provided pursuant to Clause 19.1(B).

20. Costs and Expenses

Except as otherwise stated in this Agreement, each Party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement.

21. Execution of Agreement

This Agreement may be executed and delivered in any number of counterparts and by way of electronic signature and delivery, each such counterpart, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Except as expressly provided in this Agreement, each individual executing this Agreement on behalf of a Party has been duly authorised and empowered to execute and deliver this Agreement on behalf of said Party.

22. Invalidity

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair:

(A) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

(B) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Agreement.

23. Permitted Disclosures

23.1 Each of the Parties may disclose this Agreement (or the contents of this Agreement) to their Affiliates, to their and their Affiliates' legal and professional advisers, to any person to whom information is required to be disclosed by any governmental, banking, taxation or other regulatory authority or similar body, or by the rules of any relevant stock exchange or pursuant to a request by any such body with which a person would be

reasonably expected to comply, or pursuant to any applicable law or regulation, in each case on a confidential basis.

23.2 Without prejudice to Clause 23.1, RigCo and Seadrill may also disclose this Agreement (or the contents of this Agreement) to the lenders under each of the secured credit facility agreements entered into by Seadrill, RigCo and their respective Subsidiaries, to each other "Consenting Stakeholder" under and as defined in the RSA, and to each other bank, financial institution or entity that participates in the restructuring and recapitalisation in respect of the Seadrill group's capital structure, as contemplated in the RSA, in each case only to the extent required in order for RigCo or Seadrill to comply with its obligations under the RSA, and in each case on a confidential basis.

23.3 Subject as provided in Clause 23.4, no Party shall make any public announcement in relation to this Agreement and the transactions or arrangements hereby contemplated or herein referred to or any matter ancillary hereto or thereto without the respective prior written consent of the other Parties (which consent shall not be unreasonably withheld or delayed).

23.4 This Clause shall not apply to any announcement required to be made pursuant to any stock exchange listing rules or as required to be made as part of the Chapter 11 Cases as to the contents of which the Party making the same shall have obtained the other Parties' consent (which consent shall not be unreasonably withheld or delayed).

24. Third Parties and Assignment

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns, as applicable. There are no third party beneficiaries under this Agreement, and the rights or obligations of any Party under this Agreement may not be assigned, delegated or transferred to any other person or entity (other than, for the avoidance of doubt, any successor of Seadrill or any entity to which all or substantially all of Seadrill's material assets are directly or indirectly transferred) without the prior written consent of the other Parties.

25. Specific Performance

It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief (without the posting of any bond and without proof of actual damages) as a remedy of any such breach, including an order of any court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

26. Governing law and Jurisdiction

26.1 This Agreement is governed by the laws of England and Wales.

26.2 Any dispute arising out of or in connection with this Agreement including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre in

accordance with the SIAC Rules, which rules are deemed to be incorporated by reference in this clause.

26.3 The seat of the arbitration shall be Singapore. The Tribunal shall consist of one (1) arbitrator. The language of the arbitration shall be the English language.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date which first appears above.

MERMAID MARITIME PUBLIC COMPANY LIMITED

By: ___________________________________

Name:

Title:

MERMAID INTERNATIONAL VENTURES

By: ___________________________________

Name:

Title:

SEADRILL LIMITED

By: ___________________________________

Name:

Title:

ASIA OFFSHORE DRILLING LIMITED

By: ___________________________________

Name:

Title:

Schedule 1
(Term Sheet)

SEADRILL LIMITED - RECAPITALISATION PLAN PROPOSAL

ASIA OFFSHORE DRILLING LIMITED - SUMMARY OF PROPOSED TERMS

This document sets out a summary of the terms and conditions for Asia Offshore Drilling Limited's ("AOD") participation in the RigCo cross-collateralisation and cash pooling structure under the recapitalisation plan for Seadrill Limited and its subsidiaries (including AOD) pursuant to the RSA. Further details of the terms and conditions of the recapitalisation plan are set out in the term sheets at Exhibit A of the RSA and which are referenced in this term sheet.

1. OVERVIEW OF SEADRILL LIMITED GROUP RECAPITALISATION PLAN	
IHCo-RigCo-NSNCo Structure	A new intermediate holding company, IHCo, is to be put in place as a direct wholly-owned subsidiary of Seadrill Limited. A second new intermediate holding company, NSNCo, is to be put in place as a direct wholly-owned subsidiary of IHCo. Seadrill Limited's interests in certain entities to be hived down to sit directly or indirectly below NSNCo. A third new intermediate holding company, RigCo, is to be put in place as a direct wholly-owned subsidiary of IHCo. Rig-owners and intra-group charterers and Seadrill Limited's interest in North Atlantic Drilling Limited, Asia Offshore Drilling Limited and Sevan Drilling Limited to be hived down to sit directly below RigCo. Seadrill Management Limited and Seadrill Global Services Limited to also be hived down to sit below RigCo. Subject to ongoing discussions with lenders under the existing secured facility agreements entered into by various members of the Seadrill Limited consolidated group (the "Secured Facility Agreements"), it is currently intended that a new UK-incorporated entity ("Cash Pool Co") will be established as a wholly owned subsidiary of RigCo and will be the header of the RigCo Group cash pool. As part of the implementation of the recapitalisation plan, Seadrill Limited may transfer all or substantially all of its assets to a new holding company, with Seadrill Limited subsequently liquidated. For the purposes of this term sheet, references to "Seadrill Limited" therefore include any successor of Seadrill Limited or any entity to which all or substantially all of Seadrill Limited's material assets are directly or indirectly transferred.
Secured Facility Agreements	Various amendments will be made to the Secured Facility Agreements, including the US$360,000,000 senior secured credit facility agreement originally dated 9 April 2013 between, amongst others, Asia Offshore Rig 1 Limited, Asia Offshore Rig 2 Limited and Asia Offshore Rig 3 Limited as borrowers and ABN AMRO Bank N.V. as agent (the "AOD Facility Agreement"). These amendments are intended to create an approximately five year runway, including by reprofiling the

	maturity and amortisation schedules, and involve, amongst other things: • maturity extensions of approximately 4 to 5.5 years; • amendments to the amortisation profile such that amended amortisation payments commence from Q1 2020 with a semi-annual mandatory sweep of 75% of excess cash held by RigCo and its subsidiaries above US$1.25 billion to the lenders under the Secured Facility Agreements from 30 June 2021 (the "Bank Mandatory Cash Sweep"); and • a reset of financial covenants with the ability to equity cure. Other than a RigCo minimum liquidity covenant which applies at all times, no financial covenants which trigger an event of default will apply until 2022. From 2022, there will be new RigCo Debt Service Cover Ratio and RigCo Net Leverage financial covenants. All other financial covenants (including the minimum market value covenant) to be deleted or waived. In return, amongst other things margins across the Secured Facility Agreements will increase by 100bps and consent fees will be payable. In addition, the lenders under the Secured Facility Agreements will retain the benefit of existing security interests and guarantees granted in their favour and in addition will be cross-collateralised by being granted a shared guarantee and security package. Given the ownership structure of AOD, it is proposed that the cross-collateralisation and cash pooling arrangements be modified in relation to AOD's participation in the structure. This is set out in further detail in Section 3 (AOD Participation in Cross-collateralisation and Cash Pooling) below. Refer to the term sheets at Exhibit A of the RSA for further detail on the terms of the amendments to the Secured Facility Agreements. In the event of any inconsistency between the terms detailed in this Term Sheet and the provisions of the term sheets at Exhibit A of the RSA that relate to AOD, its creditors and its shareholders, this Term Sheet shall prevail.
New capital	Seadrill Limited will raise new capital in the amount of approximately US$1,080 million which it is currently expected will be through: • US$880 million of notes issued by NSNCo (the "New Secured Notes"); and • US$200 million of new equity issued by Seadrill Limited. The form of the new capital is subject to change, including in a non-consensual implementation scenario. Refer to the term sheet for the New Secured Notes at Exhibit A of the RSA for further detail.
Implementation	It is anticipated that the Seadrill Limited recapitalisation plan will be implemented under voluntary cases commenced under chapter 11 of the US Bankruptcy Code

	("Chapter 11").
2. EQUITY IN AOD	
Equity in AOD	Seadrill Limited's shares in AOD will be transferred to RigCo. Mermaid International Ventures ("Mermaid") will retain its existing shares in AOD (subject to the exercise of put option and call option rights under the terms of a transaction support agreement entered into between Seadrill, RigCo, Mermaid and Mermaid Maritime Public Company Limited.
3. AOD PARTICIPATION IN CROSS-COLLATERALISATION AND CASH POOLING	
Cross-collateralisation security and guarantee structure	The existing bank security and guarantee package (including as far as it applies to assets of AOD and its subsidiaries) will remain in place. First ranking security will also be granted in favour of the lenders under the respective Secured Facility Agreements over intercompany loans owed to RigCo or Cash Pool Co by a subsidiary of RigCo subject to existing share security. For the avoidance of doubt, no additional security will be granted over AOD or any of its subsidiaries or any of their assets in favour of the lenders under any of the Secured Facility Agreements other than the AOD Facility Agreement. In addition cross-collateralisation to be implemented between the Secured Facility Agreements by providing the following in favour of the lenders under the Secured Facility Agreements collectively: • First ranking security over the shares in RigCo and Cash Pool Co • First ranking security over intercompany loans made by RigCo to IHCo and by Cash Pool Co to RigCo • First ranking security over intercompany loans made by IHCo to RigCo and by RigCo to Cash Pool Co • First ranking security over the excess sales proceeds escrow accounts established by RigCo and any other members of the RigCo Group (excluding, for the avoidance of doubt, AOD or any of its subsidiaries), the bank account into which IHCo (via RigCo) funds contributions and the periodic cash sweep accounts established by cash Pool Co and other members of the RigCo Group (excluding, for the avoidance of doubt, AOD or any of its subsidiaries) • First ranking security (pari passu with the New Secured Notes) over the IHCo bank accounts • First ranking security over the bank account at RigCo which will hold contributions from RigCo which RigCo will pass on to Cash Pool Co • First ranking security over the shares in certain newbuild entities, subject to

	certain conditions • First ranking guarantee from RigCo Refer to the term sheets at Exhibit A of the RSA for further detail.
RigCo cash pooling	The movement of cash within the Seadrill Limited group will be subject to the terms set out in the cash pooling term sheet at Exhibit A of the RSA. The provisions of the cash pooling term sheet will apply to AOD on the modified basis that is set out directly below. In particular, there will be a periodic cash sweep of cash balances held by subsidiaries of RigCo but this will not apply to AOD in the same way as it will apply to the wholly-owned subsidiaries of RigCo. The cash pooling term sheet will allow AOD excess cash to be paid to Mermaid and RigCo in pro rata shares in the form of dividends or loans, on the terms set out below. The cash pooling term sheet will require that any pro rata share of AOD cash paid to RigCo is applied in accordance with cash sweep mechanics agreed with Seadrill's lenders and investors. These principles will not apply to any pro rata share of AOD cash paid to Mermaid. • AOD will not pay dividends until after 15 June 2021 (being the date on which the Bank Mandatory Cash Sweep commences). • Up to 15 June 2021, any cash held by AOD and its subsidiaries in excess of the higher of US$20 million and the amount of cash required by AOD and its subsidiaries to (i) meet its debt service obligations under the AOD Facility Agreement (or any replacement secured credit facility agreement) for the next six months, (ii) repay any loans made by RigCo or Cash Pool Co to AOD or AOD's subsidiaries and (iii) meet ongoing financial and operating costs and liabilities, may at the election of the directors of AOD appointed by Mermaid and the directors of AOD appointed by RigCo be paid pro rata to RigCo and Mermaid (in each case pro rata to its equity stake in AOD) by way of an intercompany loan on terms to be agreed (but provided that the interest rate on such loans shall not be lower than the interest rate payable on the AOD Facility Agreement and AOD shall be entitled to request repayment of such loans on demand to the extent that it requires funds to meet its operational commitments, and provided further that where AOD requests repayment of such loans, AOD shall request repayment of such loans by each of RigCo and Mermaid, in each case pro rata to its equity stake in AOD) and on payment terms to be agreed between AOD and each of RigCo and Mermaid, respectively prior to drawdown. • Mermaid, RigCo and AOD may also agree that guarantees may be provided by a Mermaid entity or by Seadrill Limited on terms to be agreed to provide credit support in relation to repayment of the loans described above and directly below. • On the last day of each semi-annual period, starting with the semi-annual

	period ending 15 June 2021, any cash held by AOD and its subsidiaries over the amount of cash required by AOD and its subsidiaries to (i) meet its debt service obligations for the next six months, (ii) fund any cash sweep as described in section C2 of the Secured Facilities term sheet in relation to the AOD Facility Agreement on that date, (iii) repay any loans made by RigCo or Cash Pool Co to AOD or AOD's subsidiaries and (iv) meet ongoing financial and operating costs and liabilities, shall be paid pro rata to RigCo and Mermaid (in each case pro rata to its equity stake in AOD) by way of intercompany loans on terms to be agreed (but provided that the interest rate on such loans shall not be lower than the interest rate payable on the AOD Facility Agreement and AOD shall be entitled to request repayment of such loans, on demand to the extent that it requires funds to meet its financial and operational costs and liabilities, and provided further that where AOD requests repayment of such loans, AOD shall request repayment of such loans by each of RigCo and Mermaid, in each case pro rata to its equity stake in AOD) and on payment terms to be agreed between AOD and each of RigCo and Mermaid, respectively prior to drawdown. During this period provided that the cash required to meet the items described in paragraphs (i) to (iv) above has been retained by AOD and its subsidiaries and AOD and its subsidiaries additionally have (and will continue to have after any such dividend is paid) at least a free cash float in an amount to be agreed with the lenders under the Secured Facility Agreements generated from its own funds, the board of directors of AOD may, if they consider it appropriate, elect to pay dividends to the shareholders of AOD instead of making these upstream loans, such dividends to be paid on a pro rata basis according to the shareholders' shareholdings.
Excess sale proceeds	An excess sales proceeds escrow account will be established at RigCo. Further excess sales proceeds escrow accounts may also be established in other members of the RigCo group where necessary or where there are legal restrictions on upstreaming moneys to Cash Pool Co. Security will be granted over the excess sales proceeds escrow account(s) in favour of the lenders under the Secured Facility Agreements on a first ranking basis and the holders of the New Secured Notes on a second ranking basis. Where any disposal proceeds remain after application pursuant to the mandatory prepayment requirements of a Secured Facilities Agreement (in the case of a non-distressed disposal) or after application pursuant to a Secured Facilities Agreement of recoveries following an enforcement sale (in the case of a distressed disposal) and after the payment of costs and expenses (including taxation) of the disposal ("Excess Sales Proceeds"), then such Excess Sales Proceeds will be paid into the relevant excess sales proceeds escrow account(s), provided that, for so long as there is a minority shareholder of AOD, any Excess Sale Proceeds relating to the AOD Facility Agreement will be applied

	as follows: (A) first, to repay any loans made by RigCo or Cash Pool Co to AOD or AOD's subsidiaries, and such amounts shall be paid into the relevant excess sales proceeds escrow account(s) at RigCo; (B) RigCo's pro rata portion (pro rata to its equity stake in AOD) of any remaining amounts after application in accordance with paragraph (A) above will be paid into the relevant excess sales proceeds escrow account(s) at RigCo; and (C) Mermaid's pro rata portion (pro rata to its equity stake in AOD) of any remaining amounts after application in accordance with paragraph (A) above will be available to be distributed to Mermaid.
4. OTHER	
Documentation	Amendments to the Secured Facility Agreements to be implemented by way of amendment and restatement agreements, together with other related documentation including security documents, intercreditor agreement, contribution agreement and others to be agreed with the relevant parties. Seadrill Limited, RigCo and Mermaid to enter into an amendment in relation to the existing shareholders' agreement relating to AOD in order to reflect the transactions contemplated in this Term Sheet. AOD's bye-laws to be amended to reflect the transactions contemplated in this Term Sheet.

Schedule 2
(Put Option Notice and Call Option Notice)

FORM OF PUT OPTION NOTICE / CALL OPTION NOTICE

To:

With a copy to

For the attention of

Date [•]

Dear Sirs,

Transaction Support Agreement between Mermaid International Ventures, Mermaid Maritime Public Company Limited, Seadrill Limited, [New Seadrill], [RigCo] and Asia Offshore Drilling Limited **dated [•] (the "Agreement")**

We refer to the Agreement. Terms defined in the Agreement shall have the same meaning when used in this letter.

We hereby:

(A) give notice in accordance with Clause [8.1]/[8.2] of the Agreement that we are exercising the [Call] [Put] Option; and

(B) acknowledge that this notice is irrevocable.

Clause 26 (Governing law and Jurisdiction) is incorporated into this letter as if set out in full and as if references therein to "this Agreement" were references to "this letter".

Yours faithfully,

....
For and on behalf of
[•]

ACKNOWLEDGMENT

[RigCo / Mermaid] acknowledges that it has received the [Put/Call] Option Notice from [RigCo / Mermaid] given pursuant to the Transaction Support Agreement between Mermaid International Ventures, Mermaid Maritime Public Company Limited, Seadrill Limited, [New Seadrill], [RigCo] and Asia Offshore Drilling Limited dated [•] (the "Agreement") and that there subsists a binding contract for the sale and purchase of the Mermaid AOD Shares (as that term is defined in that Agreement) between Mermaid and RigCo on such terms and subject to such conditions as set out in the Agreement.

Dated: [•]

Signed by..

For and on behalf of [•]

Schedule 3
(RSA)

Schedule 4
(Valuation Principles)

1. Valuation Principles

1.1 For the avoidance of doubt, a reference to "Party" in this Schedule 4 is a reference to either Mermaid or RigCo and a reference to "Parties" is to both Mermaid and RigCo.

1.2 With respect to respective appointments of and work to be performed by the Valuers and the Expert pursuant hereto, the following provisions shall apply:

(A) the Parties (or in the case where both Valuers are selected by one Party then that Party) shall enter into an appropriate form of appointment in respect of each of the Valuers and AOD with respect to the Expert, as soon as reasonably practicable following the selection of the Valuers and the appointment of the Expert. The Parties (or in the case where both Valuers are selected by one Party then that Party) shall act reasonably in agreeing the terms and conditions of such appointment, including (without limitation) in respect of fees, customary confidentiality and non-disclosure obligations, and any exclusions and limitations of liability where it can be reasonably demonstrated that such terms and conditions reflect market standard provisions for such appointments;

(B) the Parties shall use all reasonable endeavours to procure that each of the Valuers and the Expert appointed pursuant to this Agreement is promptly given all such assistance and access to all such information, documentation and personnel in its possession or control as each such Valuer and such Expert may each reasonably require in order to make his determination. This shall include without limitation unrestricted access to the books and records of AOD, the Rigs and Other Net Assets and the employees of AOD as well as to the employees of either Party having information about AOD and its business;

(C) the Valuers and the Expert shall act as independent experts and not as arbitrators; and save in the case of fraud or manifest error (including the case where any Valuer fails to take into account any of the factors listed out in clause 1.6 of Schedule 4 which has a material effect on the value of the Rig Market Value or Other Net Assets), the determination of the Rigs Market Value based on the valuations provided by the Valuers and the determination of the value of the Other Net Assets by the Expert as provided herein shall be final and binding on the Parties;

(D) the costs of each of the Valuers and of the Expert shall be approved by Mermaid and RigCo prior to their engagement and shall be borne by Mermaid and RigCo in equal amounts. Where a Party issues a Valuation Notice and does not proceed to issue an Option Notice within three (3) months of receipt of the Valuer's Report, the cost of each of the Valuers and of the Expert shall be borne solely by that Party; and

(E) each Party shall act reasonably and co-operate to give effect to the provisions of this Clause 1.2 and otherwise do nothing to hinder or prevent the Valuers from reaching their valuation and the Expert from reaching its determination.

1.3 If the Valuer appointed by an Arbitrator in accordance with Clause 1.5(C) below fails for any reason to render a determination on the Rigs Market Value within the relevant time period, either Party may refer the matter to an Arbitrator who shall appoint another Valuer that he considers appropriate to replace this additional Valuer within fourteen (14) calendar days of his or her appointment.

1.4 If either Party determines that there is a manifest error (which is supported by reasonably detailed evidence and includes the case where any Valuer fails to take into account any of the factors listed in Clause 1.6 of Schedule 4 which has a material effect on the Rigs Market Value or Other Net Assets) in the calculation of either the Rigs Market Value or the Other Net Assets, the relevant Party may notify the Valuer and the Expert within three (3) Business Days of such manifest error being determined by the relevant Party. If, the Valuer or Expert (as applicable) fails to rectify the manifest error within three (3) Business Days of notification by the relevant Party (the "Rectification Period"), either Party may refer such manifest error to an Arbitrator by no later than the date falling three (3) Business Days after the end of the Rectification Period.

1.5 Unless otherwise mutually agreed by the Parties, the price payable for the Mermaid AOD Shares shall be determined as follows:

(A) In the case of RigCo exercising the Call Option, if the Calculated Share Price of the Mermaid AOD Shares is less than the Floor Price, such valuation shall be deemed to be the Floor Price for all purposes hereunder. In the case of Mermaid exercising the Put Option, if the Calculated Share Price of the Mermaid AOD Shares is greater than the Ceiling Price such valuation shall be deemed to be the Ceiling Price for all purposes hereunder.

(B) In the event the value of the Rigs provided by the two Valuers are not equal, but the lower valuation is at least 90% of the higher valuation, then the Rigs Market Value shall be the average of the valuations provided by the two Valuers.

(C) In the event the value of the Rigs provided by the two Valuers are not equal and the lower valuation is less than 90% of the higher valuation, then either Party may, within ten (10) Business Days after its receipt of the Valuer's Report, object to the Rigs Market Value being the average of the two valuations and notify the other Party accordingly. Both Parties shall then jointly instruct the Valuers to appoint a third Valuer (an "Additional Valuer"). If within ten (10) Business Days of receipt of notice of objection the Valuers cannot agree upon an Additional Valuer, then either Party shall have the right to refer the matter to an Arbitrator who shall appoint an Additional Valuer within fifteen (15) calendar days of his appointment. The Arbitrator need not have the credentials of a Valuer or an Expert, but shall be an arbitrator with experience and expertise in handling international commercial disputes arising in the offshore oil and gas sector.

Within ten (10) Business Days after its appointment, the Additional Valuer shall deliver to each Party a valuation report that sets out its determination of the value of the Rigs, together with a detailed explanation of its rationale and bases for such determination. The Rigs Market Value shall be the average of the value of the Rigs provided by the Additional Valuer and the value of the Rigs

determined by the one of the first two Valuers whose value determination was closest to that determined by the Additional Valuer; provided, however, if the Additional Valuer's valuation is within ten percent (10%) of the average of the first two valuations, whether higher or lower, then the Rigs Market Value will be the average of all three Valuers' valuations.

If RigCo and Mermaid fail to object to the valuation with ten (10) Business Days after its receipt of the Valuer's Report, the Rig Market Value will be the average of the two valuations provided by the two Valuers.

1.6 Each of the Valuers shall:

(A) make its valuation on the basis that the price shall be no less than the most probable price which a willing purchaser would offer to a willing seller at arm's length transaction for the Rigs;

(B) take into account the technical specification and status of the Rigs, including customized modifications, age, type, design, classification status, overall performance capabilities, water depth range, variable load capacity and environmental criteria;

(C) take into account the supply and demand for offshore mobile drilling units of similar age, type, design, overall performance capabilities, water depth range, variable load capacity and environmental criteria as the Rigs, located and operating in the same region and in other major oil and gas regions around the world;

(D) take into account the principal commercial and legal terms of prevailing drilling contracts including options and potential drilling contracts under negotiation for the Rigs that are effective at the time of valuation as well as then-applicable day rates in the relevant region and world-wide, for offshore mobile drilling units of similar age, type, design, classification status, overall performance capabilities, water depth range, variable load capacity and environmental criteria as the Rigs;

(E) take into account the cost of replacement of offshore mobile drilling units, construction and delivery to the same region and world-wide of new offshore mobile drilling units similar to the Rigs;

(F) take into account the cash flow and earnings potential of the Rigs including appropriate cash flow discount rates and terminal value;

(G) take into account general market information collected by the Valuers (or the Expert) in the ordinary course of business;

(H) take into account regular discussions with participants in the offshore drilling market, including owners and/or operators of offshore mobile drilling units, oil companies, shipyards, financial institutions and other market participants; and

(I) not take into account distressed sales or transactions in which the sale of offshore mobile drilling units operating in the same market segment as the Rigs is affected by special adverse circumstances except to the extent that any such distressed sale or specific adverse circumstances is affecting the overall world-wide offshore jack-up drilling market.

1.7 If any Valuer provides a range for its Rigs Market Value, the Parties agree to use the mid-point of such range as the Rigs Market Value of the respective Valuer.

1.8 The Expert appointed by AOD shall provide its valuation of the Other Net Assets within the time period set out in Clause 9.2(B) of the Agreement and shall provide its determination of the Fair Market Value and the Calculated Share Price including its detailed rationale and bases for its decision within ten (10) calendar days after receiving written notice from AOD of the Rigs Market Value. The Fair Market Value shall be calculated as the sum of the Rigs Market Value and the value of the Other Net Assets

1.9 The Expert shall determine the Fair Market Value on the basis that it would be the most probable price for the entire share capital of AOD that is available or could be obtained in an open and unrestricted market in a transaction between an informed and willing buyer and an informed and willing seller acting at arms' length and under no compulsion to act, expressed in terms of money or money's worth and disregarding (i) any value that might be assigned by a purchaser or seller with a special interest, (ii) any value that might be assigned in the event of a distressed sale or (iii) another situation where the sale is affected by special circumstances.

1.10 If a Party does not agree on the Expert's valuation of the Contingent Liabilities, the Parties shall use good faith reasonable efforts to agree on a valuation of such Contingent Liabilities. If the Parties cannot agree on a valuation of the Contingent Liabilities within (10) Business Days of receiving the Expert's valuation, the Expert's valuation shall stand and AOD shall use its best efforts to resolve such Contingent Liabilities as promptly as reasonably possible with time being of the essence. With respect to:

(A) any Contingent Liability less than or equal to US$ 1,000,000 that crystallises within 12 months of Completion, the difference between the Expert's valuation of the Contingent Liability and the amount the Contingent Liability crystallised for will be multiplied by the percentage the Mermaid AOD Shares represent of the entire issued share capital of AOD; and

(B) any Contingent Liability in excess of US$ 1,000,000 that crystallises within 18 months of Completion, the difference between the Expert's valuation of the Contingent Liability and the amount the Contingent Liability crystallised for will be multiplied by the percentage the Mermaid AOD Shares represent of the entire issued share capital of AOD,

(the result of such multiplication in either case, being the "Contingent Liability True Up Amount"). Where the Contingent Liability True Up Amount is a positive number, RigCo will pay this amount to Mermaid. Where the Contingent Liability True Up Amount is a negative amount, Mermaid will pay this amount to RigCo. The Contingent Liability True

Up Amount shall be paid within fifteen (15) Business Days of the Contingent Liability True Up Amount being determined.

1.11 Any Arbitrator appointed pursuant to this Agreement shall be instructed to, among other issues, take into relevant consideration this Agreement and the input provided by the Valuers and/or an Expert, as applicable.

Schedule 5
(Form of RigCo Accession Notice)

To: Mermaid Maritime Public Company Limited

Mermaid International Ventures

Asia Offshore Drilling Limited

From: [RigCo] (the "**Acceding Party**")

Date: [•]

TRANSACTION SUPPORT AGREEMENT ENTERED INTO BETWEEN MERMAID INTERNATIONAL VENTURES, MERMAID MARITIME PUBLIC COMPANY LIMITED, **SEADRILL LIMITED AND ASIA OFFSHORE DRILLING LIMITED DATED [•] AS** SUPPLEMENTED, EXTENDED, RESTATED OR REPLACED (THE AGREEMENT)

We refer to the Agreement. Terms defined in the Agreement have the same meaning in this Accession Notice.

For the benefit of all of the other Parties, the Acceding Party undertakes to perform all the obligations expressed in the Agreement to be assumed by RigCo and agrees that it shall be bound by all the provisions of the Agreement, as if it had been an original party to the Agreement.

The address, telephone number, email address and attention details for notices to the Acceding Party are [•].

Clause 26 (Governing law and Jurisdiction) is incorporated into this Accession Notice as if set out in full and as if references therein to "this Agreement" were references to "this Accession Notice".

This Accession Notice has been executed into on the date stated above.

SIGNED by

____

for and on behalf of [RigCo]

Schedule 6
(Form of New Seadrill Accession Notice)

To: Mermaid Maritime Public Company Limited

Mermaid International Ventures

Asia Offshore Drilling Limited

From: [New Seadrill] (the "**Acceding Party**")

Date: [•]

TRANSACTION SUPPORT AGREEMENT ENTERED INTO BETWEEN MERMAID INTERNATIONAL VENTURES, MERMAID MARITIME PUBLIC COMPANY LIMITED, **SEADRILL LIMITED AND ASIA OFFSHORE DRILLING LIMITED DATED [•] AS** SUPPLEMENTED, EXTENDED, RESTATED OR REPLACED (THE AGREEMENT)

We refer to the Agreement. Terms defined in the Agreement have the same meaning in this Accession Notice.

For the benefit of all of the other Parties, the Acceding Party undertakes to perform all the obligations expressed in the Agreement to be assumed by [New Seadrill] and agrees that it shall be bound by all the provisions of the Agreement, as if it had been an original party to the Agreement.

The address, telephone number, email address and attention details for notices to the Acceding Party are [•].

Clause 26 (Governing law and Jurisdiction) is incorporated into this Accession Notice as if set out in full and as if references therein to "this Agreement" were references to "this Accession Notice".

This Accession Notice has been executed into on the date stated above.

SIGNED by

____

for and on behalf of [New Seadrill]

SIGNIFICANT SUBSIDIARIES

The table below lists the Company's significant subsidiaries as of December 31, 2019:

Name of company	**Country of Incorporation**	**Principal activities**
Drilling unit owning companies		
Asia Offshore Rig 1 Ltd	Bermuda	Owner of AOD 1
Asia Offshore Rig 2 Ltd	Bermuda	Owner of AOD 2
Asia Offshore Rig 3 Ltd	Bermuda	Owner of AOD 3
Sevan Brasil Ltd	Bermuda	Owner of Sevan Brasil
Sevan Drilling Rig VI Pte Ltd	Singapore	Owner of Sevan Developer
Sevan Driller Ltd	Bermuda	Owner of Sevan Driller
Sevan Louisiana Hungary KFT	Hungary	Owner of Sevan Louisiana
North Atlantic Alpha Ltd	Bermuda	Owner of West Alpha
Seadrill Ariel Ltd.	Liberia	Owner of West Ariel
Seadrill Callisto Ltd	Bermuda	Owner of West Callisto
Seadrill Carina Ltd	Bermuda	Owner of West Carina
Seadrill Castor Pte Ltd	Bermuda	Owner of West Castor
Seadrill Cressida Ltd	Bermuda	Owner of West Cressida
Seadrill Eclipse Ltd	Bermuda	Owner of West Eclipse
Seadrill Elara Ltd	Bermuda	Owner of West Elara
Seadrill Eminence Ltd	Bermuda	Owner of West Eminence
North Atlantic Epsilon Ltd	Bermuda	Owner of West Epsilon
Seadrill Freedom Ltd	Bermuda	Owner of West Freedom
Seadrill Gemini Ltd	Bermuda	Owner of West Gemini
Seadrill Jupiter Ltd.	Bermuda	Owner of West Jupiter
Seadrill Indonesia Ltd	Bermuda	Owner of West Leda
Seadrill Navigator Ltd	Bermuda	Owner of West Navigator
Seadrill Neptune Hungary KFT	Bermuda	Owner of West Neptune
Seadrill Orion Ltd	Bermuda	Owner of West Orion
Seadrill Pegasus Pte Ltd	Singapore	Owner of West Pegasus
North Atlantic Phoenix Ltd	Bermuda	Owner of West Phoenix
Seadrill Prospero Ltd	Bermuda	Owner of the West Prospero
Seadrill Saturn Ltd	Bermuda	Owner of West Saturn
Seadrill Telesto Ltd	Bermuda	Owner of West Telesto
Seadrill Tellus Ltd	Bermuda	Owner of West Tellus
Seadrill Tucana Ltd	Bermuda	Owner of West Tucana
North Atlantic Venture Ltd	Bermuda	Owner of West Venture
Scorpion Vigilant Ltd	Bermuda	Owner of West Vigilant
Drilling units under sale leaseback		
SFL Deepwater Ltd*	Bermuda	Owner of West Taurus
SFL Hercules Ltd*	Bermuda	Owner of West Hercules
SFL Linus Ltd*	Bermuda	Owner of West Linus
Contracting and management companies		
Seadrill Offshore AS - Europe operations	Norway	Finance Lessee
Eastern Drilling AS	Norway	Onshore Services

Seadrill UK Operations Ltd	United Kingdom	Rig Operator
Seadrill Management Ltd	United Kingdom	Onshore Services
Seadrill Deepwater Charterer Ltd	Bermuda	Finance Lessee
Seadrill Insurance Ltd	Bermuda	Onshore services
Seadrill Angola Lda	Angola	Onshore Services
Seadrill Gulf Operations Neptune LLC	USA	Rig Operator
Seadrill SeaMex SC Holdco Ltd	Bermuda	Onshore Finance
Seadrill Treasury UK Ltd	United Kingdom	Onshore Finance
Seadrill SeaMex 2 de Mexico S de RL de CV	Mexico	Onshore Finance
Seadrill International Resourcing DMCC	UAE	Onshore Services
Seadrill Global Services Ltd	Bermuda	Onshore Services
Seadrill Management (S) Pte Ltd	Singapore	Onshore Services
Seadrill Nigeria Operations Ltd	Nigeria	Onshore Services
Seadrill Deepwater Units Pte Ltd	Singapore	Onshore Services
Seadrill (Dalian) Consulting Co Ltd	China	Onshore Services
Seadrill Americas INC	USA	Onshore Services
Seadrill Serviços de Petróleo Ltda	Brasil	Rig Operator
Seadrill Operations de Mexico S. de R.L. de C.V	Mexico	Onshore Services
Seadrill Offshore Malaysia Sdn Bhd	Malaysia	Rig Operator
Scorpion Labuan Ltd	Labuan	Intra-charterer
Seadrill Newfoundland Operations Ltd	Canada	Onshore Services
Seadrill UK Support Services Ltd	United Kingdom	Onshore Services
North Atlantic Linus Charterer Ltd	Bermuda	Finance Lessee
Seadrill Norway Crew AS	Norway	Onshore Services
North Atlantic Crewing Ltd	Bermuda	Onshore Services
Seadrill Europe Management AS	Norway	Onshore Services
Sevan Drilling North America LLC	USA	Rig Operator
Seadrill Jack-ups Contracting Ltd	Suriname	Rig Operator
Holding Companies		
Seadrill North Atlantic Holdings Ltd	Bermuda	Holding Company
Seadrill Common Holdings Ltd	Bermuda	Holding Company
Seadrill Deepwater Holdings Ltd	Bermuda	Holding Company
Seadrill Jack Up Holding Ltd	Bermuda	Holding Company
Seadrill Member LLC	Marshall Islands	Holding Company
Seadrill Investment Holding Company Ltd	Bermuda	Holding Company
Seadrill New Finance Ltd	Bermuda	Holding Company
Seadrill Norway Operations Ltd	Bermuda	Holding Company
Seadrill Rig Holding Company Ltd	Bermuda	Holding Company
Seadrill Ltd	Bermuda	Holding Company
Seadrill UK Ltd	United Kingdom	Holding Company
Seadrill Partners LLC Holdco Ltd	Bermuda	Holding Company
Seadrill Seabras UK Ltd	United Kingdom	Holding Company
Seadrill Sevan Holdings Ltd	Bermuda	Holding Company
Seadrill Seabras SP UK Ltd	United Kingdom	Holding Company
Seadrill Mobile Units UK Ltd	United Kingdom	Holding Company
Seadrill Seadragon UK Ltd	United Kingdom	Holding Company
Seadrill Holdings Singapore Pte Ltd	Singapore	Holding Company
Asia Offshore Drilling Ltd	Bermuda	Holding Company
Scorpion Deepwater Ltd	Bermuda	Holding Company
Scorpion International Ltd	Bermuda	Holding Company
Seadrill GCC Operations Ltd	Bermuda	Holding Company

Scorpion Drilling Ltd	Bermuda	Holding Company
Seadrill Far East Ltd	Hong Kong	Holding Company
Sevan Investimentos do Brasil Ltda	Brasil	Holding Company
Sevan Drilling Rig IX Pte Ltd	Singapore	Holding Company
Sevan Drilling Rig VI AS	Norway	Holding Company
Seabras Serviços de Petróleo S.A.	Brasil	Holding Company
Seabras Holdings GmbH	Austria	Holding Company
Seabras Rig Holdings GmbH	Austria	Holding Company

*** Fully consolidated Variable interest entities.**

CODE OF CONDUCT

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A message from the CEO

SEADRILL has been at the forefront of the offshore drilling industry for more than a quarter of a century. We have built ourselves a reputation as being a world-leader in offshore drilling. Over the years, we have developed the experience and skills needed to unlock energy safely and efficiently for our clients, anywhere in the world.

With that experience comes a responsibility to our colleagues, to our clients, to our families and to ourselves. Our responsibility, as a world-leader in our industry, is to conduct our business to the highest standards of ethics, integrity and honesty. Our license to operate depends on this.

This doesn't mean simply complying with the letter of the various laws and regulations that govern us. It means going beyond what is expected of us and leading by example in the way that we do business and in the way that we behave towards our colleagues, our clients and all of our stakeholders.

This Code of Conduct sets out the standards of behavior by which every single one of us is bound.

You should see the code as a moral guide by which we can all judge what is right in any given situation. Not following the code may impact negatively on Seadrill's corporate reputation, and could lead to disciplinary action or dismissal for the individual concerned.

You should therefore familiarize yourself with its contents, and ensure that you follow it day in and day out.

If you have any queries or concerns about the code, about how you should behave in a specific situation, or if you are aware of a situation that you believe may be in violation of the code, you should speak to your line manager or a member of the Compliance department.

I am relying on you to not only know the code, but to uphold it, be proud of it, and live the code so that it truly becomes the foundation on which we do business.

ANTON DIBOWITZ
Seadrill's Chief Executive Officer

OUR CODE

Introducing our Code of Conduct

Our Code of Conduct has been created to help you to understand our core values, and the standards of behavior that are expected of us all based on these values.

Our code applies to all entities controlled by Seadrill and all officers, directors, employees, as well as workers and third-party contractors.

We also seek to ensure that our business partners who represent Seadrill, including our vendors, agents, consultants and other individuals or companies that provide services on behalf of Seadrill, adhere to our code.

At Seadrill, we believe that our commitment to ethical conduct, integrity and honesty is paramount. Our code allows us to implement this commitment and sets standards of behavior that we should adhere to at all times.

By living up to our values and adhering to our code, we will be helping to ensure that our colleagues and clients as well as the communities in which we operate, will be able to put their full trust in us. In so doing, we will be protecting the reputation and long-term success of our business.

The code is deliberately broad in scope and does not go into detail about specific situations or scenarios. It aims to provide guidance. Within the code there are links to specific Seadrill policies and directives, click on these for additional information. If you need advice about a particular situation, then do not hesitate to discuss it with your line manager. They are there to support you too.

Your commitment to the code

You are responsible for complying with our Code of Conduct at all times. This responsibility includes raising questions and concerns if you become aware of possible violations of our code and cooperating with any investigations.

Reports can be made to:

- Your manager, or any other manager
- The Chief Compliance Officer, or another member of the Compliance department
- The Audit Committee
- Seadrill's Integrity Channel (where reports can be made anonymously), access details for which can be found at the back of this code and at www.seadrill.com

Protection against retaliation

Seadrill does not tolerate any form of retaliation against anyone who makes a good-faith report and/or participates in investigations for known or suspected violations of our values or our code. You should report any form of retaliation experienced by you or anyone you know.

Retaliation can take many forms, for example: threats, intimidation, exclusion, raising issues maliciously or in bad faith, disciplinary action or termination.

Our managers' responsibilities

If you are a manager at Seadrill, you must ensure that everyone working for you, directly or indirectly, has read and committed to our code.

As a positive role model, managers are expected to set the right tone, encourage employees to speak up, listen and respond appropriately to concerns when they are raised, and help ensure that no one experiences retaliation for making a report or co-operating in an investigation.

The ethical decision model

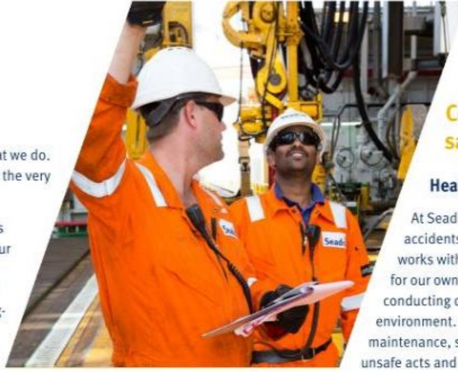
If you are faced with an ethical issue or dilemma, ask yourself the following questions:

- **Is it legal?**
- **Is it necessary?**
- **Is it justifiable?**
- **Does it feel right?**
- **Is it in line with our values?**
- **Does it comply with our Code of Conduct?**
- **Would I be comfortable if this became public?**
- **Could it cause any risk to me or to Seadrill?**

Our values and the Code of Conduct

At Seadrill, we have five core values that underpin everything that we do. Our working culture is based on these values and they represent the very essence of what we are all about.

Our values and our Code of Conduct go hand in hand; our code is based on our values, and our values are implemented through our code. They each provide you with an understanding of what is expected of you as a Seadrill employee. By living our values and our code in all that you do, you will be helping to ensure the long-term success of our business.



Be safety conscious

We look out for each other because we don't want anyone to get hurt at work. We plan thoroughly so what we do is executed safely. We follow our processes and procedures according to our management system. We respond immediately to unsafe or unsatisfactory conditions.

Be accountable

We display integrity in everything we do. We operate correctly first time, and deliver what we promise. We constantly challenge ourselves and others to find smarter ways of working. We work diligently to achieve best practice.

Be inspirational

We share knowledge, ideas and information with each other – and our customers. We listen to our customers and our colleagues and act on what they say. We build enthusiasm around us. We reward great performance and use it as an example to be followed. We set the standard in operational and safety performance.

Be loyal

We act in accordance with Seadrill's values. We respect decisions once they've been made. We are Seadrill's biggest advocates.

Be proactive

We are innovative and inventive, and are continually on the lookout for better solutions. We embrace change; we don't resist it. We are creative and use our initiative but stay within Seadrill's policies and procedures. We seek out new opportunities.

Commitment to health, safety and the environment

Health and safety

At Seadrill, we continually strive to create a safe workplace where there are no accidents and no one gets hurt. We expect all our employees and everyone who works with us to demonstrate safe behavior every day. We take responsibility for our own and others' safety through proper planning and implementation, conducting our operations to the highest standards and respecting the natural environment. We take the time to carry out the necessary inspections and maintenance, stopping operations where necessary and immediately reacting to unsafe acts and conditions.

Health Policy [Pol-00-0003] ⟶

Safety Policy [Pol-00-0005] ⟶

Environmental sustainability

We are committed to protecting the environment and working in the best interests of the communities in which we operate. We believe that a sustainable business is a business that has a clear understanding of its environmental impact, and has policies in place to reduce that impact.

We all have a responsibility to make the protection of the environment in which we work a personal priority. Just as we have a corporate responsibility to protect the environment wherever we do business.

Environmental Policy [Pol-00-0004] ⟶

Commitment to our people

Diversity, equality and inclusion

We strive for a workplace in which diversity is valued and in which every employee has the opportunity to develop skills and talents consistent with our core values. At Seadrill we hire, promote and reward our employees based on their capabilities and skills.

Discrimination is prohibited. Work-related decisions should be made based on merit, and not on age, gender, race, sexuality, nationality, religious or ethnic background or on any other basis prohibited by the laws that govern our operations.

Harassment or intimidation of any form is not tolerated at Seadrill. We believe that everyone has the right to be treated with dignity and respect. Furthermore, we expect everyone to uphold their personal responsibility to behave in a manner that is not offensive to others.

What is harassment?

At Seadrill, harassment is regarded as any form of inappropriate conduct that has an effect of creating an intimidating, hostile or offensive work environment or that may be reasonably perceived to affect an individual's employment opportunity or opportunities for training or promotion.

Diversity Policy [Pol-00-0007] →

Drugs and Alcohol

Seadrill is a drug and alcohol-free workplace. The use of drugs and alcohol can affect everyone's safety. The use, sale, purchase, manufacture, distribution, possession or consumption of either substance is prohibited on company premises, with the exception of medically prescribed drugs.

A senior company manager may occasionally authorise the limited consumption of alcohol at Seadrill's onshore premises, or at a company event. You are always expected to drink responsibly on these occasions.

Use of drugs and/or alcohol offshore

The use of non-prescription drugs and alcohol offshore is strictly prohibited at all times. Any contravention of this policy can lead to immediate dismissal.

Commitment to ethical conduct

Anti-bribery and corruption

Seadrill has a zero-tolerance attitude towards bribery and corruption.
We comply with all applicable bribery and corruption-related laws and require everyone we work with to do the same.

Anyone representing Seadrill, whether employee, business partner, or any other form of representative is prohibited from offering, promising, giving or authorizing the giving of bribes, kick-backs or other similar payments and benefits (including facilitation payments), directly or indirectly, to any person. This prohibition applies to the offering, promising, giving or authorizing of not just money, but also anything else of value, to both Public Officials and individuals working in the private sector. Seadrill also prohibits anyone representing us, from, directly or indirectly, soliciting, agreeing to receive or accepting any forms of bribe.

Who is a "Public Official"?

This term includes:

- elected or appointed officials at all levels of government
- anyone who is employed by a government or a government-owned or controlled entity (e.g., employees of PEMEX, Petrobras, Saudi Aramco, Sonangol, Statoil)
- employees of public international organisations (e.g., the United Nations, European Union, World Bank)
- officials of political parties or candidates for public office

What is a 'facilitation payment'?

A facilitation payment (also known as a 'grease' payment) is typically a small value payment, made to speed up the performance of administrative services. An example would be where a port official requests an additional payment in order to clear goods through customs.

Seadrill prohibits the making of facilitation payments. The only exception to this is where an employee has a reasonable and genuine belief that his or her personal safety is at risk. In those circumstances a payment may be made, however full details of the incident and the amount paid must be reported to Seadrill's Chief Compliance Officer immediately.

Working with third parties

A range of individuals and companies provide services to Seadrill. These include agents, consultants and vendors. Some of these business partners deal with Public Officials on our behalf. For example, we periodically engage customs brokers, visa agents, shipping agents and other such service providers to assist in obtaining permits, licenses and registrations.

Engaging a third party to represent us can present a bribery risk to our company and our people, since Seadrill and its employees can be held responsible for any misconduct by a third party. We always follow Seadrill policy before engaging a business partner.

Most of the bribery cases that have been prosecuted around the world have involved the use of intermediaries in some way. No Seadrill business partner should be permitted to do anything on the Company's behalf or for the Company's benefit that Seadrill may not legally do itself.

Ethical Conduct Policy [Pol-37-0001] →

Compliance with Anti-Bribery & Corruption Laws Directive [DIR-01-0002] →

Conflicts of interest

We avoid any conflicts of interest and always act in the best interests of Seadrill. We can never let our personal interests or activities conflict, or appear to conflict, with the interests of the company. A conflict of interest may occur if a personal interest impacts on your ability to make an objective decision for Seadrill.

An actual or potential conflict of interest can damage our business and reputation, so it is important to report the conflict of interest as soon as you become aware of it.

Types of situations where a conflict of interest may occur:

- Having another job with a competitor, customer or supplier
- Working with close relatives, either within Seadrill or externally (e.g. a customer or supplier)
- Serving as a board member of another organization

What should I do if I believe I might have an actual or potential conflict of interest?

Speak to your line manager or HR. Follow instructions as to how to address such a conflict of interest. If the suspected conflict relates to another employee, you should raise it through any of Seadrill's reporting channels.

Gifts, entertainment and hospitality

Giving or receiving gifts, entertainment or hospitality for a legitimate business purpose in accordance with commonly accepted business custom is permissible, however we never offer or accept anything of value that may impact, or be perceived to impact, on our ability to make an objective and professional business decision.

We always comply with Seadrill's requirements to declare - and in some circumstances, obtain prior approval for – gifts, entertainment or hospitality offered or received.

Gifts, Entertainment and Other Business Courtesies Directive [DIR-37-0252] →

It is never acceptable to offer or receive cash (or a cash equivalent, such as a gift card).

Charitable donations and corporate citizenship projects

We are proud of our efforts to assist the communities in which we work around the world. However, even an apparently legitimate charitable donation or corporate citizenship project can carry the risk of being seen as an attempt to improperly influence an individual connected with the charity or project, to persuade them to act in a way that is favorable to Seadrill. Always check Seadrill policy before making a charitable donation or commencing a corporate citizenship project.

Human rights

We seek to play a positive role wherever we work by conducting business in accordance with internationally-recognized human rights standards. We support the UN's Universal Declaration of Human Rights and are committed to helping to eliminate human rights abuses such as forced labor and human trafficking. We monitor our business and supply chain to ensure that no form of slavery or human trafficking is taking place.

Political activities

Political contributions or support of any kind to political candidates, political parties and political party officials on behalf of Seadrill are prohibited.

Our policy on political contributions is not intended to restrict you making personal political contributions or otherwise participating in personal political activities on your own behalf, outside of your employment with Seadrill, and using your own resources. However, you are not permitted to use or mention your position at Seadrill to add credibility to any such activities.

When considering offering or agreeing to make a charitable donation you must never:

- Make a donation in an exchange of favors, even if the recipient organisation is a legitimate charity
- Make a donation if it would confer a personal benefit
- Make a donation if there has been a promised or implied business benefit, or a threat issued in connection with the request for a donation

What are my responsibilities as a Seadrill Employee?

Be aware of circumstances where you might encounter human rights violations, such as forced or child labor by suppliers or customers and report any suspected breach or concern.

Human Rights →

Competition and anti-trust laws

We comply with anti-trust and similar laws that regulate competitive behavior. These laws are intended to ensure that markets for goods and services operate effectively and free from undue restraints on competition. Practices that are prohibited typically include:

- Exchanges of information with competitors
- Price fixing
- Allocating products, customers or territories
- Otherwise improperly influencing the market place or the outcome of a bidding process

You should never have formal or informal discussions with competitors regarding:

- Price (or any matters affecting price, such as bid terms)
- Company costs, including any cost components or methods of computing costs
- Confidential future plans, including those relating to sales and marketing strategy

Trade associations provide a valuable service for their members. For example, they may conduct market research programs, track current industry issues, engage in public relations activity and collect and distribute industry statistics. However, since trade associations are composed of a group of competitors, particular care should be taken to ensure there can be no suggestion of anti-competitive behavior. You must immediately leave any meeting or other event if competitively sensitive issues are introduced. Ensure your departure is noted and report the matter to a member of the Legal or Compliance department.

You must seek advice from a member of the Legal or Compliance department if you are invited to attend a meeting that might risk contravening competition laws.

Customs, trade controls and economic sanctions

We comply with the laws concerning the import and export of goods and services in every country where Seadrill does business. We also comply with applicable economic sanctions. These sanctions can be complex and often require detailed analysis. If you have any doubt about the propriety of any transaction under customs, trade or economic sanctions regulations you should consult a member of the Legal or Compliance department.

What is meant by 'economic sanctions'?

Economic sanctions are commercial and financial penalties applied by one or more countries against a targeted country, group, or individual. These sanctions can include various forms of restrictions on business activities and financial transactions.

Insider trading

As a public company, Seadrill is subject to a number of laws concerning the purchase of shares and other publicly traded securities. Company policy prohibits employees and their family members from trading securities while in possession of material, non-public information relating to Seadrill. Failure to comply may subject you (or your family members) to criminal or civil penalties, as well as to disciplinary action by Seadrill up to and including dismissal. If you have any doubt as to whether you possess material non-public information, you should contact your manager, a member of the Legal department or the Company Secretary.

Information is "material" when there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy, hold or sell securities. For example: earnings announcements, the gain or loss of a contract, an upcoming merger or acquisition, or a significant new technology being developed.

Information is considered to be "public" only when it has been released to the public through appropriate channels and enough time has elapsed to permit the investment market to absorb and evaluate the information.

Insider Trading Regulations [DIR-37-0043] →

Commitment to financial management and control

Financial integrity and accuracy of our books and records

All Seadrill books, records and reports, of whatever nature, must be prepared with the utmost care and honesty. They must be complete, sufficiently detailed and always accurately reflect our transactions.

We act in accordance with the law, any governmental requirements, as well as applicable technical and professional standards in all aspects of our reporting.

Seadrill personnel must never knowingly make an untrue or inaccurate statement in any form of financial statement, or any other type of business record (e.g. a HSE test or inspection report), nor influence anyone else to do so.

If you suspect that any form of fraudulent activity has taken place you must report this immediately.

QUESTION: My colleague told me that, at the request of his country manager, he recorded a contract win in March, although the contract was not signed until April. Is this acceptable?

ANSWER: No. False or misleading entries should never be made, even if this may enhance Seadrill's results for a particular quarter, or financial year.

Combatting financial crime

We all play our part in reducing financial crime by complying with applicable anti-money laundering and anti-terrorism laws, as well as laws intended to reduce the opportunity for tax evasion.

We will only conduct business with reputable customers and business partners involved in legitimate business activities, with funds derived from legitimate resources. We must be vigilant and report if we suspect that any customer or business partner transaction may be improper.

Money laundering is the process by which individuals or entities try to conceal the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses.

Commitment to communication and information security

Confidentiality and proprietary information

We always protect the company's confidential and proprietary information. Those of us with access to non-public information concerning Seadrill's business, financial results and prospects and potential corporate transactions must protect the confidentiality of this information, and only use it for appropriate business purposes.

Information Classification and Handling Directive [DIR-37-0179] →

Data protection

We respect the confidentiality of the personal information we handle about our employees and any other individual that we work with, and comply with all applicable laws regulating data protection.

Personal Data Directive [DIR-37-0341] →

Electronic communication

We use our company systems for business purposes. All emails, text messages, instant messages, and other electronic communications must be composed in a professional manner.

We don't have an expectation of privacy when using company systems, as Seadrill has the right to inspect all communications and records held on company systems, within the confines of applicable laws. We may use the systems for incidental personal use but we accept that all communications we make on them are company property.

Information Services Policy [Pol-00-0002] →

Acceptable Use of IS Systems & Services [DIR- 37- 0067] →

Confidential information includes such items as non-public information concerning Seadrill's business, financial results and prospects and potential corporate transactions.

Proprietary information includes assets such as patents, trademarks, and copyrights.

You must also protect others confidential or proprietary information should it come into your possession.

What is electronic communication?

All aspects of voice, video, and data communications, such as voicemail, e-mail, fax, and the internet.

What are company systems?

Company systems include electronic communications equipment, software, systems or other facilities provided by Seadrill for business use

Protecting Seadrill's assets

We all have a duty to look after and protect Seadrill's assets from theft and loss. This includes Seadrill's tangible assets, such as laptops, phones and vehicles, as well as intangible assets, including trade secrets and confidential information. We have a responsibility to use these assets for legitimate business purposes and to ensure they are only used by authorized personnel.

Speaking for our organization

In order to promote and protect our corporate reputation, it is essential that our communications are clear, accurate, consistent and responsible. As such, only certain authorized persons can talk to the media or investment community. If you are contacted by either of these, you must direct them to Corporate Communications or Corporate Investor Relations, as appropriate.

You should not participate in discussions of any Seadrill business in any public online forum as this may give rise to a violation of our confidentiality policy, or subject Seadrill to legal action.

Communication Policy [DIR- POL-00-0009] →

Social Media [DIR-37-0125] →

External Communication and Press Releases [DIR-37-0130] →

Our Integrity Channel

If you become aware of a possible violation of our code you must report you concerns. One of the ways you can do this is through Seadrill's Integrity Channel, which you can access using the following numbers:

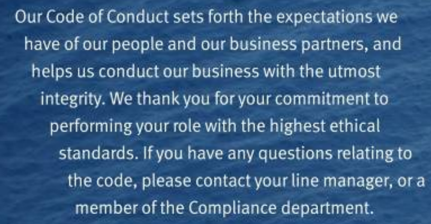
- United Kingdom: +0800 374199
- United States: +1 877 533 5310
- Freephone: +0044 1249 661 808

The entire list of local numbers can be found at:

https://www.seadrill.com/investors/corporate-governance/integritychannel

You can also submit an online report at:

wrs.expolink.co.uk/seadrill


Our Code of Conduct sets forth the expectations we have of our people and our business partners, and helps us conduct our business with the utmost integrity. We thank you for your commitment to performing your role with the highest ethical standards. If you have any questions relating to the code, please contact your line manager, or a member of the Compliance department.

SETTING THE STANDARD

https://www.seadrill.com

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Anton Dibowitz, certify that:

1. I have reviewed this annual report on Form 20-F of Seadrill Limited;

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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) 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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: April 2, 2020

/s/ Anton Dibowitz

Anton Dibowitz

Chief Executive Officer of Seadrill Management Ltd.

(Principal Executive Officer of Seadrill Limited)

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Stuart Jackson, certify that:

1. I have reviewed this annual report on Form 20-F of Seadrill Limited;

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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) 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 company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: April 2, 2020

/s/ Stuart Jackson

Stuart Jackson

Chief Financial Officer of Seadrill Management Ltd.

(Principal Financial Officer and Principal Accounting Officer of Seadrill Limited)

Exhibit 13.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Seadrill Limited (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Anton Dibowitz, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that:

(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.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 2, 2020

/s/ Anton Dibowitz

Anton Dibowitz

Chief Executive Officer of Seadrill Management Ltd.

(Principal Executive Officer of Seadrill Limited)

Exhibit 13.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Annual Report of Seadrill Limited (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Stuart Jackson, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: April 2, 2020

/s/ Stuart Jackson

Stuart Jackson

Chief Financial Officer of Seadrill Management Ltd.

(Principal Financial Officer and Principal Accounting Officer of Seadrill Limited)

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-227101) of Seadrill Limited of our reports dated March 28, 2019 and April 2, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting of Seadrill Limited, which appear in this Form 20-F.

/s/ PricewaterhouseCoopers LLP

Uxbridge, United Kingdom
April 2, 2020