Seadrill Limited (SDRL) - Third quarter 2009 results

Highlights

- Seadrill generates record EBITDA*) of US$497million for the third quarter 2009
- Seadrill reports net income of US$345 million and earnings per share of US$0.82 for the third quarter 2009
- Seadrill delivers strong improvement in average utilization rate and earnings from deepwater fleet
- Seadrill sells the jack-up rig West Ceres for a total consideration of US$178 million
- Seadrill secures US$2.1 billion in new financing while repaying a US$1.0 billion bridge loan
- Seadrill declares US$0.50 per share in cash dividends

*) EBITDA defined as earnings before interest, depreciation and amortization equal to operating profit plus depreciation and amortization

Condensed consolidated income statements

Third quarter results
Consolidated revenues for the third quarter of 2009 amounted to US$863 million as compared to US$816 million for the second quarter of 2009. Operating profit for the quarter was US$394 million, up US$55 million from the second quarter. Third quarter operating profit for Mobile Units was US$342 million as compared to US$267 million in the preceding quarter. The increase was mainly due to a full quarter in operation for the new deepwater semi-submersible rig West Eminence and gain on sale of the 300ft jack-up West Ceres. The operating profit contribution from the Tender Rigs was US$37 million, a decrease of US$19 million from the preceding quarter mainly due to one unit coming off contract and being stacked. Operating profit from Well Services amounted to US$15 million, unchanged from the preceding quarter.

Net financial items for the quarter resulted in a loss of US$1 million as compared to a gain of US$67 million in the previous quarter. Interest income was US$40 million, up from US$7 million in the second quarter due to interest earned on our holding in the Petromena NOK2,000 million bond. Interest expense increased to US$63 million from US$57 million in the second quarter in response to higher interest bearing debt. The contribution from associated companies was US$27 million, up from US$16 million in the previous quarter. Other financial items was negative by US$5 million as a result of losses on interest swap agreements and general foreign exchange effects, partly offset by gains from forward currency contracts, total return swap agreements in own treasury stocks and Seahawk shares received as dividend in kind.

Income taxes for the quarter amounted to US$48 million an increase of US$6 million from the preceding quarter.

Net income for the quarter was US$345 million corresponding to net earnings per share of US$0.82.

First nine months 2009
Revenues for the nine months period totaled US$2,375 million compared to US$1,572 million for the same period in 2008. Operating profit for the same period was US$991 million, an increase of US$496 million compared to the same period last year. The improvement in operating profit is a function of more deepwater units in operation following deliveries from the yards and higher average dayrates. Net financial income amounted to US$81 million compared to an income of US$98 million in the nine months period last year. The decrease was caused by significant higher interest expenses as the majority of the newbuild program has been delivered and less interest expenses are capitalized. In addition, the 2008 accounts included a US$150 million gain on sale of our Apexindo shares . Income taxes increased from US$29 million in the nine months period last year to US$120 million for the first nine months of 2009. Net income for the nine months period was US$952 million compared to US$564 million in the preceding year.

Balance sheet
Total assets increased from US$12,305 million at year-end 2008 to US$14,122 million as of September 30, 2009.

Total current assets increased from US$1,664 million to US$2,606 million during the nine months period. The increase is primarily related to higher cash and cash equivalent, marketable securities and accounts receivables. The increase in marketable securities reflects the investment in the Petromena NOK2,000 million bond, the inclusion of the total 9.5% forward position in Pride International Inc. in the balance sheet as opposed to previously only 4.8% being booked as current assets and the improvement in the share prices underlying the forward contracts in Pride.

Total non-current assets increased from US$10,641 million to US$11,517 million. The increase was related to investments in new drilling units offset by the disposal of the jack-up West Ceres.

Total current liabilities decreased from US$2,058 million to US$2,042 million. Long-term interest bearing debt increased from US$6,691 million at year-end to US$7,094 million at the end of third quarter. The increase was in the main related to the drawdown on the US$1.5 billion facility secured in July and the new convertible debt issued in September. Net interest bearing debt was US$6,617 million compared to US$6,434 million at December 31, 2008. In total US$354 million was paid in regular installments on debt facilities in the third quarter, including the repayment of US$97 million related to the disposed jack-up West Ceres.

Total shareholders' equity increased from US$3,222 million at year-end to US$4,571 million at September 30. The improvement relates to the net income earned in the nine months period as well as an improved valuation of marketable securities amounting to US$309 million, which is recognized in the statement of shareholders equity. In addition, US$105 million of the US$500 million convertible bond is recorded as equity and amortized as interest expenses over the duration of the bond.

Cash flow
As of September 30, 2009, cash and cash equivalents amounted to US$755 million, which corresponds to an increase of US$379 million as compared to year-end. Net cash from operating activities for the nine months period was US$987 million whereas net cash used in investing activities amounted to US$929 million. As such, net cash from financing activities was US$313 million.

Convertible bonds
Seadrill has a US$1 billion convertible bond outstanding maturing in October 2012. The convertible bond has an annual coupon of 3.625 percent payable semi-annually and a conversion price of US$32.33 per share.

In September, Seadrill issued a new US$500 million convertible bond. The convertible bond has an annual coupon of 4.875 percent payable semi-annually in arrears. The conversion price is US$25.18 and represented a conversion premium of 35% on the volume weighted average price of our common share on the Oslo Stock Exchange (converted into US$) up to the pricing of the bonds on September 11, 2009. The convertible bonds were issued at par and mature in September 2014.

Outstanding shares
As of September 30, issued shares in Seadrill Limited totaled 399,133,216. Our holding of treasury shares was 617,800 and approximately 6.8 million options were outstanding under the management share incentive program out of which approximately 3.2 million are vested and exercisable.

For the third quarter 2009, the weighted average number of shares outstanding was 398,417,980 compared to 398,415,416 in the previous quarter 2009.

Total Return Swaps (TRS)
We have a TRS agreement with 4,500,000 Seadrill Limited shares as underlying security. The average reference price is NOK100.4 per share with expiry on February 12, 2010. The agreement replaced a total return swap agreement with agreed initial reference price of NOK61.3 per share that matured on August 17, 2009.

In the third quarter results, we have taken to income US$22 million related to the total return swap agreements under other financial items based on a share price of NOK120.6. At close of business on November 4, 2009, our share price was NOK125.8 which represent an unrealized gain on the TRS agreement of some US$23 million.

Operations
Mobile units
We had during the quarter 16 mobile units in operation and 1 unit in lay-up.

In Norway, the semi-submersible rig West Venture and the ultra-large jack-up West Epsilon continued drilling operations for Statoil. The deepwater drillship West Navigator continued operations for Shell whereas the semi-submersible rig West Phoenix worked for Total. The semi-submersible rig West Alpha continued its operations under a three-year contract with a rig syndicate led by BG. In September, West Alpha commenced a 25-year survey that including significant upgrade activities had a cost of approximately US$62 million. The survey took 30 days and was completed on time and in line with the budget. Operations were resumed mid October.

In the Gulf of Mexico, the deepwater semi-submersible rig West Sirius continued its operations for Devon Energy. In Brazil, the deepwater drillship West Polaris worked under a sublet from Exxon to Petrobras, which is also employing the deepwater semi-submersible rigs West Taurus and West Eminence. In China, the deepwater semi-submersible rig West Hercules continued drilling operations for Husky whereas the semi-submersible rig West

Aquarius continued operations for Exxon in Indonesia. In Nigeria, the newbuild drillship West Capella performed drilling operations under its five-year charter with Total.

In Southeast Asia, the benign environment jack-up West Prospero remained warm-stacked whereas the jack-ups West Larissa and West Ariel drilled for VietsoPetro (VSP) in Vietnam. At the end of August, the jack-up West Janus completed a mandatory survey and subsequently resumed operations for Petronas in Malaysia.

In Australia, a hydrocarbon leak developed mid August on an adjacent well on the Montara platform where West Atlas was working for PTTEP Australasia that necessitated an evacuation of personnel of the jack-up unit, which was successfully completed without any casualties. In order to drill a relief well to stop the leakage we agreed with PTTEP to mobilize the jack-up West Triton from Singapore to Australia. In September, West Triton located two kilometers away from the Montara Wellhead platform started drilling of the relief well. On November 1, a fire broke out on the Montara wellhead platform and subsequently embraced the drilling tower of West Atlas which was cantilevered above the wellhead platform. The fire continued for more than two days and caused severe damages to West Atlas. It is difficult to assess the magnitude of the damages to the rig at this point in time but it is possible that the rig will be classified as a constructive total loss.

Tender rigs
We had during the quarter seven tender rigs in operations and two in lay-up. In Southeast Asia, the tender rig barges T4, T7 and T11 worked for Chevron in Thailand whereas the semi-tender West Alliance worked for Petronas in Malaysia on an assignment from Shell, the semi-tender West Berani continued its work for ConocoPhillips in Indonesia and the semi-tender West Pelaut performed operations for Shell in Brunei. In West Africa, West Setia commenced operation for Chevron in Angola in August following a dry-tow from Singapore. In Namibia, the self-erecting tender rigs T-8 and West Menang were stacked in Walvis Bay following completion of operations for Total in the second quarter this year.

Well services (Seawell Limited - 74% ownership)
Our majority owned subsidiary Seawell provides offshore drilling and well services. Its core business consists of platform drilling, drilling facility engineering, modular rig, well intervention and oilfield technologies. Seawell currently operates on nearly 50 installations in the North Sea and has offices in Norway, U.K. and Denmark. Seawell has also offices in the USA and Brazil as well as joint ventures in Abu Dhabi and Malaysia. The overall activity level in the third quarter was sound with an EBITDA of US$21 million, an increase of US$1 million compared to preceding quarter. For more information on Seawell, see separate quarterly report published on www.seawellcorp.com in connection with Seawell's separate Norwegian OTC listing.

Newbuild project status
We currently have three deepwater units, three tender rigs and three jack-ups under construction at yards in Singapore, Korea and Malaysia. In 2010, the tender rigs T12 and West Vencedor will be delivered in the first quarter whereas the two deepwater units West Orion and West Gemini will be delivered in the second quarter. The three jack-ups will be delivered in the second half of 2010 whereas one deepwater rig and one tender rig will be delivered in 2011. The construction of the units is developing according to plan and in line with budgets.

Operations in associated companies

Varia Perdana Bhd.

Varia Perdana Bhd. owns five self-erecting tender rigs that were all in operation during the quarter. The tender barge T3 worked for PTT in Thailand and T10 worked for Petronas Carigali on an assignment from CarigaliHess. The tender barges T6 and Teknik Berkat worked for Petronas Carigali while T9 worked for Exxon. Varia Perdana has in recent periods had a strong operational track-record.

SapuraCrest Bhd.

We currently own 288,364,800 shares in the Malaysian oil service provider SapuraCrest Bhd. that corresponds to an ownership interest of 22.7 percent. SapuraCrest owns among other things 51 percent of Varia Perdana Bhd. Based on the closing price on November 4, 2009 on the Malaysian Stock Exchange, our holding in SapuraCrest has a gross value of some US$179 million compared to a book value of US$73 million. SapuraCrest is showing improved performance and a strong increase in the order backlog.

Scorpion Offshore Limited.

Scorpion is a Bermuda registered company listed on the Oslo Stock Exchange that owns and operates six jack-ups and has one jack-up under construction. We directly and indirectly controls 39.6 percent of the outstanding shares through forward contracts for 22,192,500 shares and direct ownership of 12,446,403 shares. The average strike price per share for the forward contracts is US$3.59. Based on closing share price on November 4, 2009, our exposure has a gross value of some US$147 million compared to a book value of US$92 million reflecting the write-down at year-end 2008.

Other strategic investments

Pride International Inc.

We directly and indirectly control 9.5 percent in the NYSE listed offshore drilling company Pride International Inc. through forward contracts for 16,300,000 shares and direct ownership in 200,000 shares. The current average strike price per share on the forward contracts is US$25.68. Based on closing share price of US$30.4 on November 4, 2009, our exposure has a gross value of some US$502 million as compared to US$264 million at year-end.

As a result of the spin-off of Pride's mat-supported jack-ups on August 24, 2009, we also hold a 9.5 percent ownership in Seahawk Drilling Inc. amounting to US$32 million based on closing share price US$29.1 on November 4, 2009.

Other investments

Petromena NOK2,000 million bond

In March, we invested US$183 million in the Petromena NOK2,000 million bond loan. The bonds were acquired at some 70 percent of face value and constitute 81 percent of the total outstanding bond loan amount. The bond loan, which was called into default in April and is subject to a motion filed with the US bankruptcy court - Southern District of New York in May, has first priority security in the construction contracts for two deepwater rigs built at the Singaporean Jurong shipyard. The two deepwater rigs were sold in June and September with the Courts approval and the sale consideration exceeding the outstanding claim from the yard has been transferred to the bankruptcy estate. Based on the achieved sale prices of the rigs and the priority of the bonds, we expect to receive payments that equal 100% of the principal bond amount plus a 7% early redemption fee and accrued interests including penalty interest. The total amount is estimated to US$292 million based on accrued interest as of September 30, 2009. We have in the third quarter, recorded US$50 million in the income statements as interest and other financial items. Early October, we received a partial prepayment of approximately US$101 million.

New contracts and dayrates
In August, we agreed to extend the contract for the jack-up West Ariel with Vietsopetro throughout October 2010 at dayrate US$142,000. We also agreed an assignment with PTTEP Australia for the jack-up West Triton to drill a relief well for the Montara platform in Australia at an agreed dayrate of US$175,000. The operation related to the relief well is expected to be completed in November.

In October, the Red Sea Petroleum Operating Company Ltd awarded us a two-well contract for the jack-up West Prospero for operations at an agreed dayrate of US$196,000. The drilling assignment is expected to commence in December 2009 and is anticipated to take approximately six months. West Prospero will be upgraded with high pressure, high temperature (HTTP) capabilities prior to start-up of operations.

For more detailed information regarding dayrates and contract durations including escalation, currency adjustment or other minor changes to dayrate and duration profiles, see fleet status report or news releases on the Company's web site www.seadrill.com.

Market development
The oil prices have since the start of the year climbed from US$40 per bbl to high US$70ies and has stayed above US$60 for five consecutive months. This is gradually removing uncertainty and reinstating oil companies' confidence in higher oil prices near term. The development is also contributing to improved tender activities in most rigs segments. Over the last months, we have seen increased activity within the jack-up market segment in particular, but also in the ultra-deepwater market, the number of new enquiries for available capacity is increasing. It is especially promising that demand is growing in other regions than Brazil, which recently has been the main driver for demand in this segment. For tender rigs, the market has been more quiet, but there are signs of increased activity in the months to come.

Deepwater Floaters (>5,000 ft water)
In spite of the recent turmoil in the financial markets, the deepwater drilling market has remained relatively firm. This is related to the long-term nature of this market segment and the limited availability of capacity near term. As a consequence, there have been few fixtures this year. However, the few fixtures that have been announced have been at levels around US$500,000, which historically can be described as sound and provide good return on invested capital. The tender activities have to a larger extent been focused on Brazil and the significant subsalt discoveries and subsequent development plans for those finds. Lately it seems that the more favorable oil price development, reduced volatility and improved cash flow situation are being translated into increased demand for high specification deepwater capacity in other regions adding to the strong demand in Brazil. In addition to a more favorable oil price situation, the improvement in the financial markets is also facilitating easier access to capital and at more attractive terms. The focus on reserve replacement is continuing to push exploration and development drilling activities into deeper water. The key regions in addition to Brazil are West Africa and US Gulf where demand is further spurred by moored deepwater units being replaced with dynamically positioned rigs.

Premium Jack-ups (>300 ft water)
The market for jack-ups has a more short-term nature as the majority of assignments have duration from three to 12 months and wells often are tiebacks to existing infrastructure. The demand is also much more fragmented, and debt-leverage as well as break-even oil price for the marginal projects is higher on average. As a result, the market for jack-ups has been

hard hit due to postponement of drilling campaigns in response to the drop in oil and gas prices and the more challenging financial markets. After a quiet first six months this year, the number of enquiries have risen significantly on the back of the more favorable development in oil and gas prices and the fact that a meaningful number of units have been cold-stacked and effectively taken out of the market in the near term. In addition, it seems that the slide in dayrates has subsided and that rates have stabilized around US$100,000 per day. Although the overall activity level and fleet utilization is expected to improve going forward the challenges for the strong improvement in dayrates is the number of new jack-ups being delivered from yards without employment as well as rigs completing existing contract. As such the market could continue to offer challenges in the near term window. Although the short term outlook is uncertain, we believe that the age and technical capabilities for a large part of the jack-up fleet will force operators to gradually replace older and incumbent drilling units with new, modern, efficient rigs due to wells being increasingly more technically challenging and consequently more demanding with respect to rig equipment. This replacement could take more time than previously anticipated given the prevailing market sentiment. The total order book for the jack-up fleet as of November stands at 65 units or 15 percent of the total fleet. This should be seen against the fact that 75 percent of the fleet is more than 20 years old.

Tender rigs
The tender rig market has historically been more resilient to oil and gas price fluctuations than jack-ups. This has been due to tender rigs primarily undertaking development drilling under long-term contracts as part of field developments. The sudden and immediate deterioration of overall market conditions that occurred late last year adversely affected the tender rig market as lower oil and gas prices led to postponement of drilling programs in especially shallow water. The improvement in energy prices has to date not changed market conditions for tender rigs significantly near term. This is most likely related to the fact that it is a niche market and that the drilling programs normally are of longer term and requires longer planning horizon than short-term jack-up drilling programs. However, in the medium term the number of enquiries for tender rigs is improving and offers attractive opportunities in both shallow and deeper waters. As such, we are confident that the long-term outlook for tender rigs is sound, and expect the market to offer opportunities to build additional order backlog and earnings visibility. Opportunities for the use of semi-tenders in connection with TLPs, SPARs or similar installations for development of deepwater fields are expected to create additional demand.

Next quarter operational events
As the majority of the units ordered under the newbuild program has been delivered and has commenced drilling operation, we have had a strong growth in our quarterly EBITDA contribution. We have also delivered significant improvements in utilization rates for the new deepwater units that have favorably affected our performance.

There are various risks inherent in the day-to-day operations of our rigs. In September, a typhoon in the South China Sea effected the operations on our semi-submersible rig West Hercules. The unit resumed operations late October after repair of damages to the DAT cylinders. Also, the leakage and fire on the Montara platform are impacting the contribution from the jack-up West Atlas either through loss of revenues as the deductible period of 45 days is expected to be initiated in November or through an insurance receivable of US$200 million if the rig is declared a total loss for insurance purposes.

Other factors that will affect the fourth quarter accounts are a full quarter in operation for the jack-up West Janus following a yard-stay in the third quarter, more days in operations for the West Triton drilling the relief well in Australia, and a three-week yard-stay at reduced rate for the drillship West Navigator. Furthermore, the Singaporean yard PPL has exercised their right to acquire the jack-up West Elara that they were building for us. The accounting effects are a loss of US$12 million while the cash-flow effect is that we will receive US$10.8 million in cash from PPL.

Corporate strategy and outlook

We have over the last years built Seadrill to be one of the leading offshore drilling companies with the second largest fleet of ultra deepwater units in the industry. We have established presence in all the important offshore oil and gas regions and have a worldwide operation supported by a strong and dynamic organization of more than 7,000 people with main operational support centers in Norway, USA and Singapore. We have, based on the combination of modern assets and skilled and experienced employees, secured one of the best order backlogs in the industry based on quality names including but not limited to Chevron, Exxon, Petrobras, Shell and Total.

Operational excellence

We have clear ambitions to continue to develop our Company. An important part of our continued development is optimization of our operational performance related to economic utilization of our rigs, drilling and health safety and environmental performance all measured in customer satisfaction.

We have since delivery of our units been able to improve our performance continuously. In the third quarter, our economic utilization rate for our new deepwater units was 93 percent up from 90 percent in the previous quarter and low 80 percent in the last quarter of 2008. The utilization in the third quarter 2009 was adversely influenced by the drillship West Polaris which undertook special warranty work in connection with failure of critical drilling equipment. The improvement in utilization is related to transfer of experience, structural learning through procedures and processes, and continued focus on improvement measures in our operations. Successful development in our operations enforced a high level of confidence in our crews and organization that will continue to improve our performance going forward. It is our near term ambition to deliver utilization rates exceeding 95 percent for units in operation. Nevertheless, drilling operations with new equipment in new areas, in challenging environments, in deep subsea formations have inherent risks, which expose us to equipment failure and downtime. In order to mitigate these risks, systematic improvement of work processes, adherence to procedures and awareness of potential dangers and hazards are key. The economical utilisation for the harsh environment rigs in North Sea exceeded 98 percent in the third quarter, which also suggests an aspiration level for operational performance longer term.

Over the latest quarters, we have successfully completed the start-up phase for eight new deepwater units in a number of new locations in a safe manner. There have however been operational challenges that adversely have affected our operational expenses through more use of vendor personnel, spare parts, etc. than what should be the case in a more steady operational environment. Higher utilization rates normally mean less time spent on repair of equipment and consequently lower operating expenses.

Overall, the levels of operating expenses across our rig portfolio are under good control. Significant cost reductions have been achieved for the jack-ups over the last year, and the operating expenses for the deepwater units have seen a downward trend as the regularity has improved. We will continue our focus over the next quarters on further cost reductions in the deepwater as well as the tender rig operations. However, it is essential that such cost reductions are not adversely influencing the service to our customers and instead are realized as efficiency improvements, through increased purchasing power and improved logistics as a function of the growth of our operations and portfolio.

Debt financing, capital structure and dividend
Since July, we have raised more than US$2.1 bn. in new debt through closing of a US$1.5 billion secured credit facility, issuance of US$500 million unsecured convertible bonds and raising NOK800 million in bonds at attractive terms. The new financing has been used to replace short-term debt (including a bridge loan of US$1 billion), add more term to the overall debt portfolio, secure financing for the remaining newbuild installments and provide financial flexibility to facilitate investment opportunities. The conditions in debt markets have improved over the last months, and we expect terms and conditions for debt financing of our activities to continue to develop favorably given our significant order backlog and sound market prospects for our fleet. We plan to continue our strategy to optimize the interest expenses on the loan portfolio by actively using our rig fleet as security. At present, we still have three deepwater units, three jack-ups, and three tender rigs under construction, free of any liens and available as collateral for additional credit facilities. The future debt level will be determined by the contract coverage for our fleet, capital expenditure programs, other investments, free cash flow and business outlook.

Our objective is to generate competitive returns to our shareholders supported by frequent distribution of cash dividend. The cash dividend distribution that we initiated last year was interrupted by the financial crises that emphasized a need to secure financing for the newbuild program that was outstanding at that time. In our second quarter report, we expressed an ambition to resume dividend distribution in the fourth quarter. We are please to inform that we have resolved to distribute a cash dividend per share of US$0.50. The ex. dividend date has been set at November 23, 2009, the record date is November 25, 2009 and payment date is on or about December 7, 2009. Based on the strong increase in EBITDA-contribution from our new deepwater units, and a stable to positive development in the debt markets, we have set as a minimum US$0.50 per quarter as a long-term dividend ambition with the potential to increase further as a function of growth in order backlog as well as improved financing capacity and conditions. Our strategy is to distribute a significant part of the operating cash-flow as dividends.

Market and order backlog
We continue to benefit from a strong order backlog of some US$10.9 billion (out of which US$9.0 billion is related to the semi-submersible units and drillships). In addition to strong dayrates and high visibility, our order backlog offers a strong combination of customers with quality credit ratings and contracts with overall terms and conditions that should provide resilience given the current market environment.

The average contract length of our deepwater capacity is 38 months. We have the deepwater drillship West Gemini under construction that will be available mid-2010. We have specific discussions with prospective customers regarding possible employment of this unit as well as general discussions regarding the deepwater semi-submersible West Capricorn that will be delivered year-end 2011. We also entertain concrete discussions regarding extension of some of our existing long-term contracts. As the available deepwater supply in 2010 for drillships and semi-submersible drilling rigs is limited, we consider market conditions for individual ultra-deepwater units as attractive and expect sound terms and conditions in addition to favorable market dayrates. There are however still a number of units under construction that have not been contracted. The majority of these rigs are not scheduled for delivery before late 2010 or well into 2011. Moreover, some of these units have not secured financing and/or are controlled by owners with limited or no operating experience in deeper waters. There is a risk that these players could be willing to accept contract conditions that deviate from our expectations in order to secure employment for their units and thereby get the necessary financing of their newbuilds. Further consolidation could mitigate such development.

For our shallow water capacity, the average contract length is 28 months for our tender rigs and six months for our jack-ups (excluding the three newbuilds). Our tender rig fleet is with a few exceptions contracted until 2011. The open positions are T8, which is warm-stacked in West Africa and the newbuild T12 under construction that will be delivered first quarter next year. We are cautious on the near term employment opportunity for T8 this year but believe that the market for that type of equipment looks more promising in 2010. We are currently entertaining several discussions regarding new employment for the two available tender rigs but also contract opportunities for units that are available from 2011 and onwards.

We have recently been able to secure short-term work for our stacked jack-up rigs, which should be an advantage in competition for the next job. The majority of our jack-up fleet is on short-term contracts that expire next year. The demand side seems to respond positively to the favorable development in oil prices and the number of prospects for new contracts has improved significantly over the last few months for both short-term and long-term employment.

Further growth and outlook
We have built the most modern quality drilling fleet in the world with an average age that is almost 20 years younger than our peer group. We are of the opinion that this forms a strong platform to position our Company for further growth as well as providing shareholders a solid long-term return.

We continue to be optimistic on the long-term market outlook for offshore drilling units, in particular for the ultra deepwater segment. This market view builds on the observation that the remaining reserve-life for oil and gas assets has been reduced significantly over the last 10 years. At the same time, the depletion rate for the existing fields has reached unprecedented levels underpinning the need for discoveries of additional reserves to meet future energy demand. The recent huge finds made offshore Brazil and in the US Gulf as well as the continued exploration successes in West Africa are the confirmation that the discoveries that will make a difference to reserve replacement rates largely will come in deep and ultra-deep waters.

As we stated in the previous quarterly report, we have decided to focus the future growth of our Company on modern deepwater operations. We are of the opinion that more consolidation would strengthen the supply side and improve the quality of drilling services and the industry’s overall cost base. We maintain an interest in taking an active role in such consolidation and believe the current environment could offer M&A opportunities including purchase of single assets that could be value accretive to our shareholders and create an even stronger drilling company.

We have, as part of our development, taken positions in other drilling companies where good value proposition has been identified. Some of these positions have been disposed resulting in financial gains and some have played an important part in the growth of our Company. At present, our investments in other offshore drilling companies include Pride International Inc, Scorpion Offshore Limited and SapuraCrest Bhd. We are of the opinion that these investments offer exposure to good asset compositions, which matches the asset profile of our current fleet. Our ownership in these companies have to date been of a passive nature. We believe that in order to develop these positions we will seek a more active involvement in those companies. As part of the development of Seadrill into a pure harsh environment and deepwater play, we are continuing initiatives to seek alliances in order to form a separate and larger stand alone jack-up company where Seadrill can be a major shareholder.

We are currently considering three strategic directions for our Company;

1. Continue to grow the Company through corporate actions including but not limited to a closer integration with the companies in our strategic portfolio.

2. If no or limited progress is made in relation to such actions, we will consider to effectively divest these holdings and use the proceeds to pursue opportunistic acquisitions of distressed assets.

3. Continue to develop the existing core Seadrill with maximum focus on highest possible return on equity.

A combination of these strategies is also conceivable.

We are further looking at opportunities to increase the Company's presence in certain key markets by seeking local joint venture partners. The objective would be to maximize the value of our business and at the same time create stronger local positions.

In the previous quarterly report, we informed that in response to the growth of the Company, we had decided to seek a primary listing on the New York Stock Exchange for our common shares with the aim to increase trading liquidity further and to broaden the investor interest for our Company. We can confirm that the preparation of a registration statement for a US listing is progressing as planned and a filing in the course of November can be expected. Based on a normal process we target a listing in the first quarter 2010.

We have been able to deliver strong growth in our earnings in 2009. Based on the current operations and market outlook we are confident of a continued solid development in earnings. The full year results for 2009 will confirm a positive trend that we expect will continue in 2010 and 2011 with the delivery of further three deepwater units, three tender rigs and three jack-ups.

Seadrill will continue to deliver improved earnings in 2010 and 2011 even without an improvement in the underlying market for our drilling services. We have a strong financial platform with the outlook to maximize dividends to shareholders as well as taking the benefit of opportunities in the market. We remain very confident about the future of our Company.

Forward Looking Statements

This report contains forward-looking statements. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Seadrill management's examination of historical operating trends.

Including among others, factors that, in the Company's view, could cause actual results to differ materially from the forward looking statements contained in this news release are the following: the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing for the newbuilds or existing assets on favorable terms, changes of the spending plan of our customers, changes in the Company's operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our reports filed with the Oslo Stock Exchange.

November 5, 2009
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management AS represented by:

Alf C Thorkildsen:	Chief Executive Officer
Trond Brandsrud:	Chief Financial Officer
Jim Daatland:	Vice President Investor Relations

Seadrill Limited

Interim financial information
(Unaudited)

Third quarter 2009

Condensed Consolidated Income Statements

Unaudited accounts in USD million	**3Q09**	3Q08	**9M09**	9M08
		Revised		*Revised*
Revenues				
Operating revenues	**807.8**	517.2	**2,210.0**	1,350.1
Reimbursables	**45.3**	30.2	**132.7**	114.4
Other revenues	**9.9**	18.8	**32.3**	62.8
Total revenues	**863.0**	566.2	**2,375.0**	1,527.3
Gain on sale of assets	**21.1**	**-**	**21.1**	**80,1**
Operating expenses				
Vessel and rig operating expenses	**309.1**	270.7	**887.9**	748.3
Reimbursable expenses	**40.7**	28.9	**124.0**	108.7
Depreciation and amortisation	**103.4**	60.4	**291.1**	160.6
General and adminstrative expenses	**37.2**	32.6	**102.4**	94.5
Total operating expenses	**490.4**	392.6	**1,405.4**	1,112.1
Operating profit	**393.7**	**173.6**	**990.7**	**495.3**
Interest income	**39.9**	4.8	**61.3**	20.3
Interest expense	**(63.1)**	(25.9)	**(165.0)**	(88.0)
Share of results from associated companies	**26.8**	11.5	**62.7**	27.2
Other financial items	**(5.0)**	(61.2)	**122.2**	138.7
Net financial items	**(1.4)**	(70.8)	**81.2**	98.2
Income before income taxes	**392.3**	**102.8**	**1,071.9**	**593.5**
Income taxes	**(47.8)**	**(21.7)**	**(119.9)**	**(29.1)**
Net income	**344.5**	**81.1**	**952.0**	**564.4**
Net income attributable to the parent	**325.0**	**69.3**	**882.1**	**542.1**
Net income attributable to the non-controlling interest	**19.5**	**11.8**	**69.9**	**22.3**
Earnings per share attributable to parent *(in USD)*	**0.82**	0.18	**2.21**	1.36
Diluted earnings per share attributable to parent *(in USD)*	**0.78**	0.18	**2.12**	1.33

Condensed Consolidated Balance Sheets

Unaudited accounts in USD million

	30.09.09	31.12.08
		Revised
Current assets		
Cash and cash equivalents	**755.2**	376.4
Restricted cash	**148.1**	280.7
Marketable securities	**728.2**	134.7
Accounts receivables	**490.9**	341.1
Other current assets	**483.4**	530.9
Total current assets	**2,605.8**	**1,663.8**
Non-current assets		
Investment in associated companies	**313.9**	240.1
Newbuildings	**1,340.3**	3,660.5
Drilling units	**7,624.0**	4,645.5
Goodwill	**1,591.2**	1,547.3
Restricted cash	**378.9**	345.9
Other non-current assets	**268.3**	201.4
Total non-current assets	**11,516.6**	**10,640.7**
Total assets	**14,122.4**	**12,304.5**
Current liabilities		
Short-term interest bearing debt	**804.7**	746.1
Other current liabilities	**1,236.8**	1,311.7
Total current liabilities	**2,041.5**	**2,057.8**
Non-current liabilities		
Long-term interest bearing debt	**7,094.3**	6,690.7
Deferred taxes	**146.8**	125.0
Other non-current liabilities	**268.6**	209.0
Total non-current liabilities	**7,509.7**	**7,024.7**
Shareholders' equity		
Paid-in capital	**2,907.2**	2,788.2
Other equity	**1,057.8**	(159.0)
Non-controlling interest	**606.2**	592.8
Total shareholders' equity	**4,571.2**	**3,222.0**
Total shareholders' equity and liabilities	**14,122.4**	**12,304.5**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD million	**9M2009**	**9M2008**
Cash flow from operating activities		
Net income	952.0	564.4
Adjustement to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	233.4	160.6
Gains on disposals	(21.0)	(259.2)
Share of results from associated companies	(62.7)	(27.2)
Change in working capital	(59.1)	313.3
Other, net	(55.2)	(21.8)
Net cash from operating activities	987.4	730.1
Cash flow from investing activities		
Investment in subsidiaries, net of cash acquired	-	(99.3)
Acquisition of fixed assets	(1,120.7)	(1,684.8)
Disposal of fixed assets	176.7	102.4
Purchase of marketable securities	(174.8)	(251.6)
Investment in associated companies	(24.3)	(311.2)
Short term loan to related parties	115.0	-
Change in margin calls and restricted cash	99.6	(674.6)
Sale of other investments	-	169.1
Other, net	-	163.7
Net cash from investing activities	(928.5)	(2,586.3)
Cash flow from financing activities		
Proceeds from debt	2,113.7	2,346.2
Repayment of debt	(1,695.0)	(441.8)
Debt fees paid	(38.7)	(12.7)
Sale (Purchase) of treasury shares, net	1.3	(5.6)
Paid dividend	-	(688.1)
Contribution by non-controlling interests	(68.0)	175.2
Net cash from financing activities	313.3	1,373.2
Effect of exchange rate changes on cash and cash equivalents	6.6	(0.5)
Net change in cash and cash equivalents	378.8	(483.5)
Cash and cash equivalents at beginning of year	376.4	997,0
Cash and cash equivalents at end of period	755.2	513.5
Interest paid	(166.6)	(184.0)
Taxes paid	(76.9)	(39.2)

Condensed Consolidated Statements of Comprehensive Income

Unaudited accounts in USD million	**3Q09**	3Q08	**9M09**	9M08
Net income	344.5	81.1	952.0	564.4
Change in unrealized gain/(loss) on marketable securities	157.1	(194.4)	302.2	(142.3)
Change in acturial gain related to pension	8.4	-	8.4	-
Change in unrealized gain/(loss) on interest rate swap agreements in VIE	(11.1)	(13.6)	11.5	16.6
Change in unrealized foreign exchange differences	13.5	(1.4)	24.1	(9.2)
Comprehensive income/(loss)	**512.4**	**(128.3)**	**1,298.2**	**429.5**
Comprehensive income attributable to the parent	**501.5**	**(140.1)**	**1,217.8**	**407.2**
Comprehensive income attributable to the non-controlling interest	**10.9**	**11.8**	**80.4**	**22.3**

Condensed Consolidated Statement of Changes in Equity

Unaudited accounts in USD million	Issued share capital	Additional paid in capital	Contributed surplus	Accum. compreh. income	Accum. earnings	Non controlling interest	Total shareholders' equity
Balance at 31 December, 2005 *(Revised)*	**458.3**	**267.0**	**0.0**	**82.4**	**(7.6)**	**181.6**	**981.7**
Issue of ordinary shares, net	308.0	1,416.5					1,724.5
Transfer of profit and loss accounts				(82.4)			(82.4)
Net income attributable to the parent					214.1		214.1
Share-based compensation plans		9.6					9.6
Foreign exchange differences, other				51.8			51.8
Implementation of FASB No.158				(2.7)			(2.7)
Net income attributable to noncontrolling interest						30.4	30.4
Balance at 31 December, 2006 *(Revised)*	**766.3**	**1 693.1**	**0.0**	**49.1**	**206.5**	**212.0**	**2,927.0**
Issue of ordinary shares, net	32.0	271.9					303.9
Unrealized gain on marketable securities				61.9			61.9
Net income attributable to the parent					502.0		502.0
Share-based compensation plans		15.1					15.1
Net purchase/sale of Treasury shares	(1.2)	1.4					0.2
Effect of shares issued to minority					(15.9)		(15.9)
Pension- unrecognized gain/loss				7.1			7.1
Foreign exchange differences, other				33.9			33.9
Sale and leaseback arrangements						40.5	40.5
Share issuance in Seawell						1.2	1.2
Eastern Drilling ASA						(162.1)	(162.1)
Net income attributable to noncontrolling interest						13.0	13.0
Balance at 31 December, 2007 *(Revised)*	**797.1**	**1 981.5**	**0.0**	**152.0**	**692.6**	**104.6**	**3,727.8**
Reversal of unrealized gain on marketable securities				(61.9)			(61.9)
Net loss attributable to the parent					(164.4)		(164.4)
Share-based payments		14.9					14.9
Dividend payment					(688.1)		(688.1)
Net purchase/sale of Treasury shares	(0.2)	(5.1)					(5.3)
Pension- unrecognized gain/loss				(5.8)			(5.8)
Foreign exchange differences				(28.2)			(28.2)
Capital contribution by noncontrolling interest						446.5	446.5
Change in unrealized gain/loss on interest rate SWAP agreements in VIE				(55.2)			(55.2)
Net income attributable to noncontrolling interest						41.7	41.7
Other		(1,955.5)	1,955.5				0.0
Balance at 31 December, 2008 *(Revised)*	**796.9**	**35.8**	**1,955.5**	**0.9**	**(159.9)**	**592.8**	**3,222.0**
Net income attributable to the parent					882.1		882.1
Net income attributable to non-controlling interest						69.9	69.9
Net paid to non-controlling interest						(68.0)	(68.0)
Unrealized gain on marketable securities				302.2			302.2
Change in unrealized gain/loss on interest rate swap agreements in VIE						11.5	11.5
Pension- unrecognized gain/loss				8.4			8.4
Convertible loan		104.9					104.9
Net purchase/sale of Treasury shares	0.2	1.1					1.3
Share-based payments		12.8					12.8
Foreign exchange differences, other				25.1		(1.0)	24.1
Balance at 30 September, 2009	**797.1**	**154.6**	**1,955.5**	**342.5**	**715.3**	**606.2**	**4,571.2**

Note 1- General information

Seadrill Limited ("Seadrill" or the "Company") is an international offshore drilling contractor providing services within drilling and well services incorporated under the laws of Bermuda. In addition to owning and operating offshore mobile drilling units, Seadrill provides platform drilling, well intervention and engineering services through the separately OTC listed subsidiary company Seawell Limited ("Seawell"), a Bermuda company in which Seadrill owned 74% at September 30, 2009. Seadrill is listed in Norway on the Oslo Stock Exchange.

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP).

Note 2- Accounting policies

Basis of accounting:

The condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The condensed interim consolidated financial statements do not include all of the disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2008.

Significant accounting policies:

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2008 as included in this document.

Due to implementation of new accounting rules, Seadrill has from January 1, 2009, changed the reporting of non-controlling interest (former called minority interest). The change requires that non-controlling interests be reported as equity in the consolidated balance sheet and requires that net income attributable to controlling interest and to non-controlling interests be shown separately on the face of the statement of operations. As a result of our adoption, the Company modified the condensed consolidated statements of operations to separately present net income (loss) attributable to non-controlling interest and net income attributable to controlling interest. Prior periods have been adjusted accordingly.

Note 3 – Segment information

The split of our organization into three segments is based on management reporting and structure. As of September 30, 2009, the Company reports based on the following segments:

• Mobile Units: The Company offers services encompassing drilling, completion and maintenance of offshore wells. The drilling contracts relate to semi-submersible rigs, jack-ups and drillships.

• Tender Rigs: The Company operates self-erecting tender barges and semi-submersible tender rigs, which are used for production drilling and well maintenance in Southeast Asia and West Africa.

• Well Services: The Company performs production drilling and maintenance activities on several fixed installations primarily in the North Sea. The Company also provides wireline services including well maintenance, modification and abandonment.

Condensed Consolidated Segment Information

Mobile Units Division

Unaudited accounts in USD million	3Q08	**3Q09**	**9M09**	9M08
Operating revenues	289,8	**604,2**	**1 558,5**	748,7
Reimbursables	3,0	**11,5**	**23,4**	25,2
Other revenues	17,7	**9,9**	**31,7**	58,6
Total revenues	310,5	**625,6**	**1 613,6**	832,5
Gain on sale of assets	0,0	**21,1**	**21,1**	80,1
Vessel and rig operating expenses	116,9	**180,7**	**488,8**	336,0
Reimbursable expenses	2,5	**9,0**	**20,1**	22,6
Depreciation and amortisation	43,1	**87,5**	**244,8**	116,8
General and adminstrative expenses	22,5	**27,6**	**77,3**	67,9
Total operating expenses	185,0	**304,8**	**831,0**	543,3
Operating profit	125,5	**341,9**	**803,7**	369,3

Tender Rigs Division

Unaudited accounts in USD million	3Q08	**3Q09**	**9M09**	9M08
Operating revenues	82,9	**84,9**	**288,8**	217,5
Reimbursables	7,3	**3,8**	**15,0**	18,9
Other revenues	1,1	**0,0**	**0,6**	4,2
Total revenues	91,3	**88,7**	**304,4**	240,6
Vessel and rig operating expenses	34,4	**35,4**	**105,3**	93,3
Reimbursable expenses	7,0	**3,4**	**13,9**	18,2
Depreciation and amortisation	11,1	**10,3**	**31,5**	31,0
General and adminstrative expenses	5,1	**3,0**	**9,6**	13,2
Total operating expenses	57,6	**52,1**	**160,3**	155,7
Operating profit	33,7	**36,6**	**144,1**	84,9

Well Services Division

Unaudited accounts in USD million	3Q08	**3Q09**	**9M09**	9M08
Operating revenues	144,5	**118,7**	**362,7**	383,9
Reimbursables	19,9	**30,0**	**94,3**	70,3
Total revenues	164,4	**148,7**	**457,0**	454,2
Operating expenses	119,4	**93,0**	**291,8**	319,0
Reimbursable expenses	19,5	**28,3**	**89,9**	68,0
Depreciation and amortisation	6,2	**5,6**	**14,8**	12,8
General and adminstrative expenses	5,0	**6,6**	**17,5**	13,4
Total operating expenses	150,1	**133,5**	**414,0**	413,2
Operating profit	14,3	**15,2**	**43,0**	41,0

Note 4 – Non-current assets

Newbuildings:

	(In million of US dollar)
Opening balance December 31, 2008	3,660.5
Additions	437.5
Depreciation	-
Reclassified as drilling units	(2,757.7)
Closing balance as of September 30, 2009	1,340.3

Additions mainly relate to installments paid to yards. Also included in additions of newbuildings are interest expenses and loan related costs amounting to US$26.6 million in 2009.

Remaining yard-installments newbuilds:

Rig	Yard	Delivery date	Contract price yard*)	Installment paid as of 3Q09
Jack-ups				
West Callisto	Keppel	3Q 2010	US$213 mill.	US$75 mill.
West Juno **)	Keppel	4Q 2010	US$216 mill.	US$32 mill.
West Leda	PPL	3Q 2010	US$219 mill.	US$87 mill.
Tender rigs				
T12	MSE	1Q 2010	US$116 mill.	US$76 mill.
West Vencedor	Keppel	1Q 2010	US$180 mill.	US$155 mill.
West Berani III	Keppel	1Q 2011	US$210 mill.	US$71 mill.
Semi-submersible rigs				
West Orion	Jurong	2Q 2010	US$558 mill.	US$187 mill.
West Capricorn	Jurong	4Q 2011	US$640 mill.	US$229 mill.
Drillships				
West Gemini	Samsung	2Q 2010	US$598 mill.	US$298 mill.
Sum			US$2,950 mill.	US$1,210 mill.

*) Including variation orders and riser allocations, but excluding spares, accrued interest expenses, construction supervision and operations preparations and mobilization

**) Seadrill has an option to not take delivery of this rig. Installments paid to date will not be recovered from the yard if option is exercised.

Refer note 7, commitments and contingencies, for an overview of the remaining yard installments related to the newbuilds.

Drilling units:

The following table discloses cost and accumulated depreciation of the Group's operating drilling units:

(In million of US dollar)	**September 30, 2009**	**December 31, 2008**
Cost	8,277.9	5,056.2
Accumulated depreciation	(653.9)	(410.7)
Net book value	7,624.0	4,645.5
Depreciation for the period	271.4	208.5

Goodwill:

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

(In million of US dollar)	**September 30, 2009**	**December 31, 2008**
Net book balance at January 1	1,547.3	1,509.5
Goodwill acquired during the year	-	112.2
Impairment losses	-	-
Currency adjustments	43.9	(74.4)
Net book balance at the end of the period	1,591.2	1,547.3

Note 5- Interest bearing debt and financial covenants

Interest bearing debt overview
US$ million

	Long-term portion, Sep 30 2009	Short-term portion, Sep 30 2009	Amount outstanding, Sep 30 2009
Credit facilities			
			USD
US$1,500 facility	1 114	129	1 243
US$185 facility	0	52	52
US$100 facility	77	8	85
US$800 facility	506	241	747
US$585 facility	399	50	449
US$100 facility	82	6	88
US$1,500 facility	1 004	0	1 004
NOK1,425 facility (Seawell)	209	37	245
NOK other loans and leasings (Seawell)	6	0	6
Total Bank Loans + other	3 397	521	3 919
Debt recorded in consolidated VIE's			
US$170 facility	103	10	113
US$700 facility	565	72	637
US$1,400 facility	1 139	154	1 292
Total Ship Finance Facilities	1 807	236	2 042
Bonds and convertible bonds			
Bonds	116	0	116
Convertible bond loans*)	1 395	0	1 395
Total bonds	1 511	0	1 511
Subtotal	6 715	757	7 472
Other credit facilities with corresponding restricted cash deposits			
Misc.NOK facilities	379	47	426
Total interest bearing debt	7 094	804	7 898

Interest bearing debt repayment and maturity schedule

Year	Credit facilities	Ship Finance Facilities	Bonds	CIRR	Total
2009 4Q	134	58	0	18	209
2010	651	239	0	50	940
2011	446	246	0	50	742
2012	826	196	1 116	50	2 188
2013	324	245	0	50	618
2014 onwards	1 540	1 059	500	208	3 306
Effect of amortization of convertible bond			-105		-105
Total					7 898

*) On September 29, 2009, the Company issued a US$500 million convertible bond. For accounting purposes, US$105 million has been allocated to the bonds equity component and US$395 million to the bonds liability component due to the cash settlement option stipulated in the bond agreement. The allocation was based on the fair value of the conversion option at the time of the issuance of the bond.

Changes in interest bearing debt:

(In million of US dollar)	
Interest bearing debt as of December 31, 2008	7,437
Draw down current year	2,114
Repayment current year	-1,695
Currency effect current year	147
Equity element related to convertible bond	-105
Interest bearing debt as of September 30, 2009	7,898

Covenants - Credit facilities:

Seadrill has miscellaneous covenants in its credit facilities. These are mainly related to minimum liquidity requirements, interest coverage ratio, current ratio, equity ratio and leverage ratio.

See annual report 2008.

Note 6- Related Party Transactions

As at September 30, 2009, 33.26% of the Company, excluding total return swap agreements, was indirectly controlled by Hemen Holding Limited ("Hemen"). Hemen is a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, Director and Chairman of the Company, for the benefit of his immediate family.

Hemen and Farahead Investment Inc. ("Farahead") owns approximately 45% of Ship Finance International Limited ("Ship Finance"). Hemen and Farahead are indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family. Seadrill has entered into several sale and lease back contracts with Ship Finance. The rigs continue to be consolidated in the financial statement of the Company as the rig owning companies are recorded as Variable Interest Entities (VIE's). The lease cost for these rigs for the first 9 months of 2009 is:

West Ceres	US$20.4 million
West Prospero	US$22.3 million
West Polaris	US$90.0 million
West Hercules	US$110.4 million
West Taurus	US$83.9 million
Total	**US$327.0 million**

In July 2009 the Company exercised its right to repurchase the jack-up rig West Ceres from a subsidiary of Ship Finance for the pre-agreed price of US$135.5 million. Subsequently the jack-up rig was sold, and as a consequence the related Ship Finance company, previously recorded as a VIE, has been deconsolidated from our accounts.

In November 2008, Seadrill granted Ship Finance an unsecured credit facility of US$115 million. During the second quarter of 2009, Seadrill sold the remaining US$90 million credit facility at par value to Metrogas Holdings Inc ("Metrogas"). Metrogas is indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family.

In April 2009, Seadrill Ltd has obtained an unsecured credit facility loan of US$60 million from Metrogas. The amount was repaid in june 2009.

Note 7- Commitments and contingencies

Purchase commitments:

The Company had several contracts for the construction of the newbuilds. As of September 30, 2009, the Company has 9 units under construction. The units are scheduled to be delivered in 2010 and 2011. As of September 30, the Company has paid US$1,210 million directly to the construction yards on the newbuildings, and is committed to make further payments amounting to US$1,740 million. The amount includes contract variation orders but exclude spares, accrued interest expenses, construction supervision and operation preparation and mobilization.

The remaining committed newbuild yard installments are expected to be due in the following years:

Year	In million of US dollar	
2009 (fourth quarter)	119	
2010	1,121	
2011	500	
Total		1,740

Legal Proceedings:

The Company is a party, as plaintiff or defendant, to several lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the operation of its vessels, in the ordinary course of business or in connection with its acquisition activities. The Company believes that the resolution of such claims will not have a material adverse effect on the Company's operations or financial condition. The Company's best estimate of the outcome of the various disputes has been reflected in the financial statements of the Company as of September 30, 2009.

"West Larissa" – dispute with Gazprom:

The Company has a dispute with Gazprom in connection with the operations of the jack-up rig "West Larissa" (called "Ekha" at that time) in late 2005 and early 2006. Legal hearings related to the dispute were carried out in the High Court of Justice, London in May 2009. The court has issued a decision, that has been appealed by the Company. Further legal hearings are scheduled to take place in the first half of 2010. The Company does not expect the final outcome to have a significant influence on the financial statements.

Dual drilling:

The Norwegian Borgarting Court of Appeal has granted Seadrill full support in Transocean's patent lawsuit against the Company. The court maintained the judgement of the Oslo District Court in February 2008 and rejected Transocean's appeal. The rulings have invalidated Transocean's patents on both multi-activity offshore drilling apparatus as well as for applying simultaneous operations in offshore drilling activities in Norway. All claims against Seadrill were found invalid, and the court ruled that Transocean shall cover all litigation costs. Transocean has appealed the decision.

Seadrill also has a dispute with Heerema Engineering Services B.V. related to alleged patent infringements in connection with dual drilling operations offshore performed by Seadrill in Norway. The legal hearings took place in Oslo District Court during August and September 2009. On November 3, 2009, the Company was informed of a ruling in Seadrill's favor. However, it is uncertain whether the other party will appeal this ruling.

Note 8- Marketable securities

Marketable securities consist of approximately 9.5 percent of the shares in Pride International Inc ("Pride"), 9.5 percent of the shares in Seahawk Drilling Inc. ("Seahawk"), and the ownership of the Petromena NOK2,000 million bond ("Petromena").

Marketable securities and changes in the carrying amount of marketable securities are as follows:

(In million of US dollar)	**Pride**	**Petromena bond**	**Seahawk**	**Total**
Historic cost as of December 31, 2008*)	268.2	-	-	268.2
Purchase of marketable securities	-	175.5	25.2**)	200.7
Partial redemption of bonds	-	(42.9)	-	(42.9)
Marked to market changes	234.1	59.1	9.0	302.2
Net book balance at the end of the period	502.3	191.7	34.2	728.2

*) The write down in Q4 2008 related to the Pride investment has set a new basis for historic cost
**) The Seahawk shares represent dividends received in connection with the Seahawk spin-off from Pride

The historic cost value is marked to market, and the change in market value is recognized as "other comprehensive income" in the equity statement.

Note 9- Other financial instruments

Total Return Swaps (TRS):
As of September 30, 2009 the Company has a TRS agreement with 4,500,000 Seadrill Limited shares as underlying security. The average reference price is NOK100.4 per share with expiry on February 12, 2010. Unrealized gain as of September 30, 2009 is recognized over the profit and loss statement as other financial items based on a share price of NOK120.6. This gain totals US$46.7 million.

Interest-rate swap agreements and forward exchange contracts:
Changes in the fair value of interest-rate swap agreements and forward exchange contracts amount to US$54.3 million for the first nine months of 2009 and are recorded as a gain under Other Financial Items.

Note 10- Subsequent events

Seadrill has two jack-up rigs under construction at PPL Shipyard in Singapore ("PPL"). Following the order in June 2008, the construction agreement was amended in January 2009 giving Seadrill an option to not take delivery of the second unit (West Elara) by allowing PPL to retain the US$ 21.5 million already paid as yard installment. At the same time PPL was granted a right to terminate the construction contract for West Elara by returning 50% of the paid installment. Late October 2009, PPL gave notice that they exercised their option and that the termination had effect from November 11, 2009. As a consequence of this, a loss of approximately US$12 million (incl. incurred yard supervision costs) will be booked in fourth quarter 2009. Seadrill will in November 2009 be refunded by PPL US$10.75 million.

In Australia, a hydrocarbon leak developed mid August on an adjacent well on the Montara platform where the jack-up rig West Atlas was working for PTTEP Australasia that necessitated an evacuation of personnel of the jack-up unit. On November 1, a fire broke out on the Montara wellhead platform and subsequently engulfed the drilling tower of West Atlas which was cantilevered above the wellhead platform. The fire continued for more than two days before the well was killed and caused severe damages to West Atlas. It is difficult to assess the magnitude of the damages to the rig at this point in time but it is possible that the rig will be classified as a constructive total loss with a corresponding payout under the prevailing insurance arrangement. Alternatively, there will be loss of revenue partly offset by loss of hire insurance until the rig is repaired. The repair costs will in this case be reimbursed by insurance underwriters covering the physical damage.