SEADRILL LTD
Form 6-K
September 04, 2012

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

FORM 6-K

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

For the month of September 2012

Commission File Number 001-34667

SEADRILL LIMITED

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

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

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

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

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

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

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 99.1 is a copy of the press release of Seadrill Limited (the "Company"), dated August 27, 2012, announcing the Company's financial results for the three and six month periods ended June 30, 2012 and 2011.

SIGNATURES

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

	SEADRILL LIMITED (Registrant)	
Dated: September 4, 2012	By:	/s/ Georgina Sousa Georgina Sousa Secretary

EXHIBIT 99.1

Seadrill Limited (SDRL) - Second quarter and six months 2012 results

Highlights

- Seadrill generates second quarter 2012 EBITDA*) of US$634 million.
- Seadrill reports second quarter 2012 net income of US$554 million and earnings per share of US$1.12.
- Seadrill increases the ordinary quarterly cash dividend by US$0.02 to US$0.84.
- Seadrill commences operations with the ultra-deepwater newbuilds West Capricorn and West Leo in the Gulf of Mexico and Ghana respectively.
- North Atlantic Drilling Ltd (NADL) secures a two-year extension for the semi-submersible rig West Alpha, with a total revenue potential of US$410 million.

Subsequent events

- Seadrill secures commitments for 19 rig years for the ultra-deepwater newbuilds West Auriga and West Vela, and an ultra-deepwater unit to be announced, with a total revenue potential of US$4 billion.
- Seadrill secures a commitment for a five-year contract for the ultra-deepwater drillship West Polaris with a total revenue potential of US$1.1 billion.
- Seadrill secures an aggregated seven-year commitment for the ultra-deepwater drillships West Gemini and West Capella with a total revenue potential of US$1.6 billion. The contracts are subject to formal approvals to be received no later than end of October.
- Seadrill refinances a credit facility of US$585 million related to the majority of our tender rig fleet increasing the nominal amount to US$900 million and also including one additional newbuild unit. The new facility increases liquidity by US$588 million.
- Seadrill Partners LLC (the MLP) submits its first draft to the SEC for review.
- Seadrill reduces its ownership in SapuraKencana to 6.4%, releasing proceeds of approximately US$200 million.

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

Condensed consolidated income statements
Second quarter and six months 2012 results

Consolidated revenues for the second quarter of 2012 amounted to US$1,122 million compared to US$1,050 million in the first quarter 2012.

Operating profit for the quarter was US$483 million compared to US$456 million in the preceding quarter.

Net financial items for the quarter showed a gain of US$114 million compared to a gain of US$24 million in the previous quarter, as we in the second quarter recorded an accounting gain of US$169 million largely related to the merger of SapuraCrest Petroleum Bhd (SapuraCrest) and Kencana Petroleum Bhd (Kencana). In addition, we recorded a gain on sales of 300 million shares in SapuraKencana of US$84 million.

Income taxes for the second quarter were US$43 million, up from US$41 million in the previous quarter.

Net income for the quarter was US$554 million or basic earnings per share of US$1.12.

The Company reports operating revenues of US$2,172 million, operating income of US$939 million and a net income of US$992 for the six months ended June 30, 2012. This compares to operating revenues of US$2,105 million, operating income of US$860 million and a net income of US$1,531 for the six months ended June 30, 2011.

Balance sheet
As of June 30, 2012, total assets amounted to US$18,934 million, an increase of US$232 million compared to March 31, 2012.

Total current assets increased from US$1,943 million to US$1,972 million over the course of the quarter primarily related to the increase in marketable securities related to the merger between SapuraCrest and Kencana. At the end of the first quarter Seadrill owned a 23.59% share of SapuraCrest. On May 17, 2012, SapuraCrest and Kencana merged into a new entity SapuraKencana Petroleum Bhd (SapuraKencana), as a consequence, Seadrill's equity share was diluted and the accounting treatment for this investment changed from an being treated as an associated company to a marketable security, which is marked-to-market each quarter. In relation to the dilution, Seadrill booked non cash gain of US$169 million, and as of June 30, our book value of SapuraKenaca is US$223 million equal to a share price of MYR2.2. The gross proceeds from the merger and subsequent share sale by Seadrill released approximately US$270 million in cash out of which approximately US$70 million was distributed in a special dividend in the first quarter.

Total non-current assets increased from US$16,759 million to US$16,962 million mainly due to the first installments of four of our newbuildings; West Rigel, West Saturn, West Mira and T18.

Total current liabilities decreased from US$2,819 million to US$2,788 million largely due to a reduction of our short-term debt.

Long-term interest bearing debt decreased from US$8,675 million to US$8,376 million over the course of the quarter and net interest bearing debt increased from $9,712 million to US$10,010 million.

Total equity increased from US$6,510 million to US$6,715 million as of June 30, 2012. The increase is mainly due to net income offset by paid dividends.

Cash flow
As of June 30, 2012, cash and cash equivalents amounted to US$276 million, which corresponds to a decrease of US$169 million compared to the previous quarter. Net cash from operating activities for the period was US$936 million whereas net cash used in investing activities for the same period amounted to US$687 million, primarily related to additions to newbuildings. Net cash used for financing activities was US$456 million mainly due to dividend payments.

Outstanding shares
As of June 30, 2012, the issued common shares in Seadrill Limited totaled 468,262,574 adjusted for our holding of 958,459 treasury shares. In addition, we had stock options for 4.8 million shares outstanding under various share incentive programs for management, out of which approximately 2.0 million had vested and are exercisable.

Operations
Offshore drilling units
Seadrill had 45 offshore drilling units in operation during the second quarter in Northern Europe, US Gulf of Mexico, Mexico, South Americas, West Africa, Middle East and Southeast Asia (including five tender rigs owned by Varia Perdana). In addition, the jack-up West Janus (which is held for sale) undertook some preparation work for its upcoming assignment and the jack-ups West Resolute and West Defender were in transit to new assignments for the duration of the quarter.

For our floaters (drillships and semi-submersible rigs) the economic utilization rate in the second quarter averaged 95 percent compared to 94 percent in the first quarter. For our jack-up rigs in operation, the economic utilization was 79 percent in the second quarter compared to 98 percent in the preceding quarter. The decrease is primarily due to the fact that several rigs were in mobilization during the quarter, and West Vigilant was operating for only three weeks in the quarter. For our tender rigs, the average economic utilization for the second quarter remained high at 97 percent compared to 98 percent in the first quarter.

Table 1.0 Contract status offshore drilling units

Unit	Current client	Area of location	Contract start	Contract expiry
Semi-submersible rigs				
West Alpha **	BG/ ExxonMobil	Norway	May 2009	Aug 2016
West Aquarius	ExxonMobil	Southeast Asia	Feb 2009	Jun 2015
West Capricorn	BP	USA	Jun 2012	Jul 2017
West Eminence	Petrobras	Brazil	Jul 2009	Jul 2015
West Hercules	Statoil	In transit to Norway	Nov 2012	Nov 2016
West Leo	Tullow Oil	Ghana	Apr 2012	May 2016
West Mira (NB*)		South Korea – Hyundai Shipyard		
West Orion	Petrobras	Brazil	Jul 2010	Jul 2016
West Pegasus	PEMEX	Mexico	Aug 2011	Aug 2016
West Phoenix **	Total	UK	Jan 2012	Jan 2015
West Rigel (NB*)**		Singapore – Jurong Shipyard		
West Sirius	BP	USA	Jul 2008	Jul 2014
West Taurus	Petrobras	Brazil	Feb 2009	Feb 2015
West Venture **	Statoil	Norway	Aug 2010	Jul 2015
Drillships				
West Capella	Total	Nigeria	Apr 2009	Apr 2017
West Gemini	Total	Angola	Sep 2010	Sep 2017
West Navigator **	Shell	Norway	Jan 2009	Jun 2014
West Polaris	ExxonMobil	Nigeria	Nov 2011	Oct 2017
West Auriga (NB*)	TBA	South Korea – Samsung Shipyard	Sep 2013	Sep 2020
West Tellus (NB*)		South Korea – Samsung Shipyard		
West Vela (NB*)	TBA	South Korea – Samsung Shipyard	Dec 2013	Dec 2020

West Neptune (NB*)		South Korea – Samsung Shipyard		
West Jupiter (NB*)		South Korea – Samsung Shipyard		
West Saturn (NB*) HE		South Korea – Samsung Shipyard		
Jack-up rigs				
West Elara **	Statoil	Norway	Mar 2012	Mar 2017
West Epsilon **	Statoil	Norway	Dec 2010	Dec 2014
West Linus (NB*) **	ConocoPhillips	Singapore – Jurong Shipyard	Apr 2014	Mar 2019
BE Jack-up rigs				
West Courageous	Shell	Malaysia	Jan 2012	Jan 2013
West Defender	Shell	Brunei	Sep 2012	Sep 2016
West Freedom	KJO	Saudi Arabia / Kuwait	Jun 2009	Jun 2012
West Intrepid	KJO	Saudi Arabia / Kuwait	May 2009	Nov 2013
West Mischief	Equion	Colombia	Mar 2012	Oct 2012

Page 3

Unit	Current client	Area of location	Contract start	Contract expiry
West Resolute	KJO	Saudi Arabia / Kuwait	Aug 2012	Aug 2015
West Vigilant		Vietnam		
West Ariel	VSP	Vietnam	Jan 2012	Dec 2012
West Callisto	Total	Andaman Sea	May 2012	Nov 2015
West Cressida	PTTEP	Thailand	Nov 2010	May 2014
West Janus***	VSP		Jul 2012	Oct 2012
West Leda	ExxonMobil	Malaysia	Mar 2012	Apr 2014
West Prospero	VSP	Vietnam	Jan 2012	Dec 2012
West Triton	KJO	Saudi Arabia / Kuwait	Sep 2012	Sep 2015
West Castor (NB*)		Singapore – Jurong Shipyard		
West Tucana (NB*)		Singapore – Jurong Shipyard		
West Telesto (NB*)		China – Dalian Shipyard		
West Oberon (NB*)		China – Dalian Shipyard		
Tender rigs				
T4	Chevron	Thailand	Jul 2008	Jun 2013
T7	Chevron	Thailand	Nov 2011	Mar 2013
T11	Chevron	Thailand	May 2008	May 2017
T12	Chevron	Thailand	Apr 2011	Apr 2014
T15 (NB*)	Chevron	China – COSCO Shipyard	Apr 2013	Apr 2018
T16 (NB*)	Chevron	China – COSCO Shipyard	Jun 2013	Jun 2018
T17 (NB*)	PTTEP	China – COSCO Shipyard	May 2013	May 2018
T18 (NB*)	Chevron	China – COSCO Shipyard	Mar 2014	Mar 2019
West Alliance	Shell	Malaysia	Jan 2010	Jan 2015
West Berani	Chevron	Indonesia	Apr 2012	Apr 2013
West Jaya	BP	Trinidad & Tobago	Nov 2011	Sep 2014
West Esperanza (NB*)	Amerada Hess	Singapore - Keppel FELS	Jul 2013	Dec 2014
West Menang	Murphy	Malaysia	Aug 2011	Sep 2014
West Pelaut	Shell	Brunei	Apr 2012	Mar 2015
West Setia	Chevron	Angola	Aug 2009	Aug 2014
West Vencedor	Chevron	Angola	Mar 2010	Mar 2015

* Newbuild under construction or in mobilization to its first drilling assignment.
** Owned by our subsidiary NADL in which we own 73 percent of the outstanding shares.
*** Seadrill has entered into an agreement to sell the unit, a transaction currently expected to be completed during the fourth quarter 2012.

Next quarter operational events

Our third quarter 2012 earnings is expected to be favorably impacted by a full quarter of operation for the ultra-deepwater semi-submersible rigs West Leo and West Capricorn. We have so far in the third quarter suffered 90 days of downtime on our deepwater rigs. A significant portion of this downtime was related to failure of Original Equipment Manufacturer (OEM) parts on subsea BOP's. This issue has been resolved. West Aquarius and West Hercules will for the entire quarter be in transit to their next respective assignments. Total mobilization payment is estimated to US$85 million. For the West Aquarius the mobilization fee will be taken to income over the mobilization period.

Newbuilding program

We currently have 18 units under construction. The newbuild program includes six ultra-deepwater drillships, two ultra-deepwater semi-submersible rigs, one harsh-environment jack-up rig, four premium benign environment jack-up rigs, one semi-tender rig, and four tender rigs. The new building program progress according to schedule with respect to time and cost. In total eight of the 18 new buildings have already been chartered out on long–term contracts.

In addition, we hold fixed price options for one ultra-deepwater drillship and one ultra-deepwater semi-submersible rig. The delivery schedule for the newbuilds under construction is from the fourth quarter 2012 to the first quarter 2015, with the majority of deliveries in 2013 and 2014. The total remaining yard installments for our newbuilds are approximately US$4.6 billion. In total US$1.2 billion has been paid to the yards in pre-delivery installments.

For further information on our newbuilding program please see Note 8 and Note 14 to our financial statements.

Operations in associated companies

Archer Limited ("Archer")

Archer is an international oilfield service company listed on the Oslo Stock Exchange. We currently own 146,238,446 shares in Archer, representing a gross value of US$328 million based on the closing share price of NOK12.70 on August 24, 2012. Our Archer position contributed US$3 million to our second quarter net income, based on consensus estimates, compared to US$4 million in the first quarter. Contribution from Archer is reported under other financial items as part of investment in associated companies. For more information on Archer we refer to their quarterly report, which will be released on August 29 and published on www.archerwell.com.

We see our holding in Archer as a strategic investment with a target to maximize the position over the next three to five years. The set back in the US oil service market, which is driven by low gas prices has created a short-term weakness, but also interesting opportunities for expansion. The Board remains confident that the Archer investment will provide a satisfactory return over time.

Asia Offshore Drilling Ltd ("AOD")

AOD is an offshore drilling company listed on Oslo Stock Exchange that has three jack-up rigs under construction at Keppel FELS in Singapore. Seadrill has a 33.75 percent ownership stake in AOD, representing a gross value of US$57 million based on the closing share price of NOK25.00 on August 24, 2012. Seadrill is responsible for the construction supervision, project management, as well as corporate and commercial management of the AOD rigs. As reported in the first quarter, AOD needs to strengthen its equity base in order to take delivery of the three rigs. Discussions are ongoing and Seadrill, as a major shareholder, has expressed willingness to contribute its 33.75% share of the capital requirement. Several jack-up newbuilds have recently been sold at attractive levels to established drilling contractors, reducing the large overhang of speculative newbuilds.

AOD contributed US$0 million to our second quarter net income. Contribution from AOD is reported under other financial items as part of investment in associated companies. For more information on AOD, please see their separate quarterly report published on www.aodrilling.com.

Sevan Drilling ASA ("Sevan Drilling")

Sevan Drilling is an offshore drilling company listed on Oslo Stock Exchange. Sevan Drilling owns and operates two ultra-deepwater rig of the cylindrical Sevan design in Brazil. The second rig has recently commenced operation. Sevan Drilling has further two newbuilds of similar design under construction, with delivery scheduled for fourth quarter 2013 and second quarter 2014. Seadrill has a 28.5 ownership stake in Sevan Drilling, representing a gross market value of US$112 million based on the closing share price on August 24, 2012. Contribution from Sevan Drilling is reported as part of investment in associated companies under other financial items. For the second quarter, Sevan Drilling contributed a loss of US$1 million to net income. Seadrilll sees the investment in Sevan as an opportunistic investment and will evaluate the investment up against alternative ways to expand our company. The position currently has an unrealized gain of US$47 million. Seadrill will if we remain a large holder in Sevan try to propose a closer co-operation between Seadrill and Sevans Brazilian operations in order to reduce cost and strengthen the operational platform.

For more information on Sevan Drilling, see their separate quarterly report published on www.sevandrilling.com.

Varia Perdana Bhd.("Varia Perdana")
We have a 49 percent ownership interest in Varia Perdana, which owns and operates five self-erecting tender rigs. During the first quarter, the tender rig T3 worked for PTTEP in Thailand and T10 worked for Chevron in Thailand. The tender rig T6 worked for Carigali Hess in the Malaysia - Thailand Joint Development Area while the Teknik Berkat worked for Petronas Carigali. T9 operated for Petronas Carigali, offshore Malaysia. Varia Perdana contributed US$10 million to our second quarter earnings compared to US$9 million in the first quarter. Contribution from Varia Perdana is reported as part of investment in associated companies under other financial items.

SapuraKencana Petroleum Bhd.("SapuraKencana")
SapuraKencana is a fully integrated Malaysian oil service provider listed on the Malaysian Stock Exchange. In May, the merger of SapuraCrest and Kencana Petroleum was consummated, and we received a US$70 million cash settlement and approximately 600 million shares giving rise to an accounting gain of US$169 million. Late May we sold 300 shares at MYR2.12 in the secondary market receiving gross proceeds of approximately US$200 million and which gave rise to an accounting gain of US$84 million. This reduced our holding to 319,540,802 shares equivalent to a 6.4 percent ownership stake.

SapuraCrest contributed US$3 million for the period prior to the merger to our second quarter net income. After the merger our ownership in SapuraKencana is treated as marketable security and is marked-to-market with no equity pick-up.

SapuraKencana remains a valued business partner with which we have entered into a 50–50 joint venture for three pipe laying support vessels (PLSVs) to operate in Brazil, and whom among other things own 51 percent of Varia Perdana Bhd. Seadrill sees Sapura Kencana with its strong position in the far east oil service market as a very valuable joint venture partner and are currently working on several ways to expand the co-operation further.

For more information on SapuraKencana, see their separate quarterly report published on www. sapurakencana.com.

SeteBrasil
Seadrill and SeteBrasil have been awarded contracts for three ultra-deepwater drillships to be constructed in Brazil at Estaleiro Jurong Aracruz. This forms part of Seadrill's committed strategy to develop our presence in the region and could potentially form part of Seabras.

The three ultra-deepwater drillships will be delivered between 2016 and 2018. Petrobras have contracted the units for 15 years and have in addition a five-year option period. The agreed daily rate is US$610,000 including bonus. Seadrill will own 30 percent of the rig owning companies and will have full responsibility for the operations and commercial management of the vessels. Seadrill's total equity investment in the owning structure is estimated to be approximately US$130 million.

New contracts and contract extensions
Subsequent to the filing of our first quarter 2012 report, we have entered into the following new contracts and received the following commitments:

In June 2012, ExxonMobil exercised the last optional well in the contract for the harsh environment semi-submersible rig West Alpha, extending the expected contract expiry to August 2014. Furthermore, later in June we received a letter of intent from ExxonMobil for a two-year assignment for the West Alpha in direct continuation of its existing contract. The agreed daily rate is US$548,000, and ExxonMobil has an option to extend the contract by one year at the same terms and conditions.

In August, we received a commitment from a major oil company for new contracts on the newbuild drillships West Auriga and West Vela, and a third drilling unit currently in operation, which will be named later. The combined three-rig package involves 19 rig years and a potential contract value of US$4 billion, including mobilization fees for the newbuild units.

We have also recently entered into new contracts for the tender rigs T11 and T17. The T11 has secured a new four-year contract with Chevron at a daily rate of US$127,500 for operations in Thailand. In addition, the T17 has secured a five-year contract with PTTEP for operations offshore Thailand at an agreed daily rate of US$118,000.

Recently we secured a new contract for the semi-tender rig West Setia with Chevron, in direct continuation of its existing contract. The duration is for two years and with an agreed daily rate of minimum US$223,000.

Furthermore, we have received commitments for the three ultra-deepwater drillships West Polaris, West Gemini, and West Capella. The West Polaris will have a five-year commitment with an undisclosed client at a daily rate of US$642,000, the West Gemini and West Capella has recieved an agggreagte of 7 years commitment for work in West Africa. These contracts has an estimated total revenue potential of approximately US$2.8 billion.

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

Market development

The outlook and fundamentals in the offshore drilling industry remain strong. Spending on exploration and production, the key demand driver for offshore drilling services has grown by more than 10 percent each year since 2009. This trend is widely expected to continue in 2013. Oil price declines during the second quarter were short lived with a drop to U$90 per barrel that was soon followed by a return to the U$110 per barrel levels that has been prevalent over the last eighteen months.

Despite some large high profile discoveries during the last year, new finds continue to lag production. Oil companies continue to struggle to achieve their production targets and the backlog of development opportunities that built up after the 2008 financial turmoil is diminishing. Coupled with oil companies strong balance sheets we believe this should result in increased exploration and development drilling across all our market segments.

Our track-record of delivering safe and efficient operations for our customers is resulting into existing clients re-contracting rigs, and also creating opportunities with new clients. We remain optimistic on the outlook for our industry and the demand for our services and equipment.

Ultra-deepwater floaters (>7,500 ft water)

Ultra-deepwater exploration and development is primarily undertaken by the largest oil companies. The long planning horizons required for these projects make demand for ultra-deepwater units less sensitive to short-term fluctuations in the oil price. Contracting and tendering activity for modern ultra-deepwater units has continued at a strong pace with daily rates in the US$550,000 to US$650,000 range, depending on location and contract duration.

The worldwide supply demand balance for ultra-deepwater rigs has tightened further due to the high contracting activity. Increasing daily rates have been accompanied by increasing duration. Seadrill estimates that less than five units are available in 2013 and we expect that the market will quickly absorb this availability. Discussions are already underway for drilling rigs available in 2014 and beyond, as customers increase their planning horizons in recognition of the tight supply, or seek to secure rigs to address previously deferred development and exploration campaigns.

Despite the positive market developments in the last year there have been relatively few newbuild announcements. Excluding Brazil, only 16 additional ultra-deepwater units have been ordered over the last twelve months, versus 23 units ordered in the six months prior to that. Seadrill has ordered five out of the last 16 units. Interesting opportunities continue to exist for newbuild construction by established drilling contractors who have the organizational capacity and the operational track-record that financial investors are looking for.

Ultra-deepwater rig demand continues to be largely driven from the Gulf of Mexico and Africa, supplemented by exploration successes in emerging oil and gas regions. In the US Gulf of Mexico the industry is becoming more comfortable with the increased requirements of the new permitting and regulatory oversight environment. A number of fixtures have already occurred, including our agreement to contract three rigs for 19 rig years. Across Africa ongoing development programs and exciting finds in both mature and emerging areas continue to keep this market undersupplied for the foreseeable future.

The North Sea market continues to show strength. Rig capacity for 2013 is sold out and only limited capacity is available for 2014 and 2015.

Brazil remains a core deepwater basin. While Petrobras' public plans do not include significant increases in ultra-deepwater drilling capacity, the ongoing demand in the region is expected to provide opportunities for rigs already operating in the region. If Petrobras intends to meet their production targets, incremental supply will likely be required until the SeteBrasil's rigs are available.

The Board believes that the units under construction will not be sufficient to meet the expected incremental global demand. Consequently, Seadrill is actively negotiating for additional newbuild units.

Several oil companies have recently launched tenders for long-term contracts, the timing and durations of which would facilitate the ordering of the required units. These contracts also include potential equity participation by the oil companies. Seadrill have not aggressively competed for this business since the return and the operational risk in these projects are expected to be less favorable than other opportunities.

Premium jack-up rigs (>350 ft water)
The market for premium jack-up rigs continues to tighten with strong interest from customers, significant tendering activity, supporting increased daily rates and contract terms in most markets.

The utilization rate for premium jack-up rigs has not been below 90 percent since March 2011 and has trended upwards in each successive quarter since then. With limited available supply and a tightening market in the near-term, we expect additional pricing pressure and continued increases in daily rates over the next year.

Despite the high numbers of jack-up rigs being retired the last two years, the average age for the fleet remains over twenty years and the need for fleet renewal continues. The 26 newbuild deliveries planned for 2012, are in line with the average numbers added annually since 2008 and should easily be absorbed by the market. The recent sale prices of modern jack-ups lead us to be cautiously optimistic regarding the 45 jack-ups that are to delivered in 2013, particularly since only 17 units have been ordered so far in 2012.

Our high specification jack-up fleet continues to operate primarily in Asia Pacific and the Middle East. Despite the addition of newbuilds and relocation of rigs from other areas, daily rates continue to move upwards in these regions. We continue to see demand outstripping supply at least into 2013. Demand development in the Arabian Gulf continues to grow with visible requirements for approximately 20 additional units on multi year contracts. Tightening supply in West Africa, coupled with oil company desire to utilize the safety and efficiency benefits of newer, higher specification units are expected to result in incremental opportunities in that market over the coming year. We expect the jack-up market to show a positive development in the quarters to come.

Tender rigs

We continue to see strong interest from oil companies for the tender rig concept. This interest along with excellent performance from our existing fleet continues to translate into new contracts and extensions of existing contracts, at higher daily rates and longer contract durations. We intend to meet the needs of our customers in this segment by continuing our organic growth strategy of both tender rigs and semi-tenders to meet future demand developments, along with an ongoing high grading and rationalizing of our existing fleet.

Corporate strategy, dividend and outlook

Growth and Investments

Since our incorporation, our strategy has been to develop a fleet of highly advanced drilling units through newbuild orders and selective acquisitions of modern assets. The demand from oil companies for such premium drilling units has enabled us to grow the Company into a leading offshore driller in a short-time frame. In line with this strategy and in response to the strong demand from our clients for our services we have 18 newbuilds under construction. With the current strong prevailing market for offshore drilling units we expect our newbuilding programme to significantly enhance both our future earnings and dividend capacity. We currently have 18 newbuilds under construction at a total all-in cost of US$6.9 billion with deliveries between 2012 and 2015 with the majority of deliveries in 2013 and 2014. Approximately US$1.6 billion of the project costs have already been paid.

Based on the committed new buildings and the developments in the market the Board is increasingly confident that our target of a US$4 billion EBITDA can be reached when the new units are in operation.

Revenue backlog

We have since our first quarter report entered into new contracts with a total revenue potential of US$7.6 billion, increasing our orderbacklog from US$12.7 billion to a record high of US$20.3 billion today.

This generates substantial visibility for our future earnings, making our dividend capacity more transparent, and bringing comfort to our financing strategy. We have now only the ultra-deepwater drillship West Tellus available for 2013. In 2014 we have open slots available for three ultra-deepwater newbuild drillships, and we have several request for these units. We are comfortable that long-term contracts can be secured at attractive terms. The average contract duration, including our newbuilds, is 38 months for our deepwater fleet.

For our shallow water capacity, the average contract length is 26 months for our tender rigs and 18 months for our jack-ups. We have some open positions for our tender rigs in 2013, but we are already in advanced discussions with clients regarding contracts for these rigs. The only available jack-up rig available this year is the West Vigilant, the rig is currently mobilizing to South East Asia we expect to agree a new contract for this unit shortly.

Financial flexibility

We continue to improve our financial flexibility. In May, we sold 50 percent of our holding in SapuraKencana releasing proceeds of approximately US$200 million. Furthermore, the Board is pleased that we in July refinanced a credit facility related to part of our tender rig fleet. The facility, which expired, had been paid down to US$312 million and was refinanced with a new US$900 million facility, of which a tranche of US$150 million becomes available when the West Esperanza is delivered from the yard in 2013. The facility was heavily oversubscribed, demonstrating that secured bank financing at attractive terms are still available to Seadrill. The new facility will release approximately US$588 million in cash and confirms that there is significant new additional borrowing capacity available as the existing facilities matures.

We are in advanced discussions with Export Credit Agencies (ECA's) in Norway, China and Korea, as well as commercial banks, with respect to our capital commitments related to our newbuild program through 2013. Seadrill have further received indicative termsheet to finance deepwater rigs with contracts in the secured bond market at level up to USD 850 million at attractive terms, and also received attractive proposals for large unsecured facilities. Such financings will if arranged release significant cash. The Board has also observed that the spread between long term unsecured financing and the secured bankfinancing has decreased making it increasingly attractive to extend Seadrill's unsecured facilities.

The Board is very confident that the remaining yard installments of US$4.6 billion can be financed in the secured and unsecured debt market, without raising additional equity.

Master Limited Partnership ("MLP")

In July, it was announced that Seadrill's wholly owned subsidiary Seadrill Partners LLC had submitted a confidential first draft registration statement to the SEC. The initial public offering of the MLP's common units is expected to commence after the SEC completes its review process. Upon completion of the offering, the MLP is expected to have an interest in two semi-submersible drilling rigs, one drillship and one semi-tender rig from Seadrill Limited's rig fleet.

Other Significant Investments

We hold various ownership positions in other listed offshore drillers and oil service companies. Our portfolio includes a 39.9 percent holding in Archer Limited, a 33.75 percent holding in Asia Offshore Drilling Ltd, a 28.5 percent in Sevan Drilling ASA, a 6.4 percent holding in SapuraKencana. Except for our strategic investment in Archer, the Board evaluates the prospects of these investments on a continuous basis.

At current market prices, potential disposal of the above-mentioned holdings could free up approximately US$746 million in cash. These holdings could potentially add significant financial flexibility to finance further growth of the Company.

Quarterly Cash Dividend

The Board has in connection with the disclosure of the second quarter results evaluated the current dividend level and prospects and has resolved to increase the regular quarterly dividend by US$0.02 to US$0.84. The increase of the dividend reflects the positive market outlook, the record high revenue backlog, and the solid support Seadrill receives from the financing market. The Board firmly believes that the new dividend level is sustainable long-term. The ex. dividend date has been set to September 4, 2012, record date is September 6, 2012 and payment date is on or about September 20, 2012.

Near-term prospects
Seadrill has distributed a regular cash dividend for the last twelve consecutive quarters, Totally US$4.6 billion has been distributed to the shareholders over the last five years. After the Q2 dividend payment Seadrill will have distributed approximately the same amount of capital as we raised and converted since the incorporation in 2005. The combination of a high dividend payout and high growth through investments in modern assets, Seadrill has delivered a superior shareholder return compared to any of our competitors. With several new contracts and a record high order backlog coupled with solid growth in operating cashflow, we are increasingly optimistic that we have the potential to continue to grow dividend payments and at the same time finance aggressive growth. However, this is dependent on continous strength in the drilling services and financial markets.

Our revenue backlog including recent received commitments and contracts is record high at US$20.3 billion. With an average contract term for our floaters of 3.2 years, and a current burn rate of US$1.1 billion per quarter, our focus is to maintain our current level of revenue backlog.

There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. We continue to see strong demand from our customers for our drilling services and the ultra-deepwater market has tightened further increasing both daily rates and duration.

The Board is confident that the oil companies need for drilling cannot be met by the capacity which will be delivered in 2013 and 2014. This creates an attractive opportunity for further newbuilding orders . Such ordering becomes further attractive due to the cyclical downturn in the shipyard industry and the low new building prices.

We see that our customers have continued focus on quality equipment, HSE performance, and efficient operations remains paramount, and that new entrants that cannot show a track record will face significant challenges in obtaining contracts and financing.

During the quarter we received positive customer feedback and demonstrated solid HSE performance. We still have some challenges related to BOP and subsea equipment, that has to some extent hampered our economic utilization in the third quarter. Seadrill will continue to focus on this issue in order to achieve a industry superior economical utilization across all our rig segments.

The Company has good cost control and expects to be able to crew and operate the new units without significantly increasing the general cost base. We see relatively large potential for cost reductions linked to taking out benefits of being a large company. Framework agreements for purchases of equipment and services, and a better utilization of stores and spares are targeted areas. We have also observed a better cost structure for units, that have been operating in the same geographic area, and where we have been able to increase the number of local staff.

The operating results for Q3 will be influenced by the reported downtime but is expected to continue to show solid growth. The Company expects the strong growth in operating cash flow to continue in the coming three years, mainly driven by commencement of new capacity but further underpinned by the US$20.3 billion orderbacklog. The Board is pleased with the way the company is positioned and expects to be able to deliver a solid operational return to shareholders in the years to come. The developments in the general offshore market as well as in the Company in the last quarter have further strengthened the investment case.

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 Seadrill's view, could cause actual results to differ materially from the forward looking statements contained in this report are the following: (i) the competitive nature of the offshore drilling industry; (ii) oil and gas prices; (iii) technological developments; (iv) government regulations; (v) changes in economical conditions or political events; (vi) inability of Seadrill to obtain financing for the newbuilds or existing assets on favorable terms or at all; (vii) changes of the spending plan of our customers; (viii) changes in Seadrill's operating expenses including crew wages; (ix) insurance; (x) dry-docking; (xi) repairs and maintenance; (xii) failure of shipyards to comply with delivery schedules on a timely basis; (xii) and other important factors mentioned from time to time in our reports filed with the United States Security Exchange Commission ("SEC") and the Oslo Stock Exchange.

August 27, 2012
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management AS represented by:

Alf C Thorkildsen:	Chief Executive Officer and President
Rune Magnus Lundetræ:	Chief Financial Officer and Senior Vice President

SEADRILL LIMITED

INDEX TO UNAUDITED FINANCIAL STATEMENTS

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three month periods and six months periods ended June 30, 2012 and 2011

(In US$ millions)

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	2012	2011
Operating revenues				
Contract revenues	1 087	968	2 112	2 049
Reimbursables	37	24	62	50
Other revenues	(1)	3	(2)	6
Total operating revenues	1 122	995	2 172	2 105
Operating expenses				
Vessel and rig operating expenses	404	352	785	812
Reimbursable expenses	34	22	57	47
Depreciation and amortization	151	148	291	291
General and administrative expenses	50	43	101	95
Total operating expenses	639	565	1 233	1 245
Net operating income	483	430	939	860