

To the bondholders in:

ISIN: NO 001 069241.1 – 3 mN + 4.40 per cent FRN North Atlantic Drilling Ltd. Bond Issue 2013/2018

Oslo, 22 January 2015

## Summons to Bondholders' Meeting

Nordic Trustee acts as trustee (the "Trustee") for the holders of the bonds (the "Bondholders") in the above mentioned bond issue ISIN NO 001069241.1 (with total outstanding amount of NOK 1,500 million) (the "Bond Issue") issued by North Atlantic Drilling Ltd. (the "Issuer").

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement dated 30 October 2013 and made between the Trustee and the Issuer (the "Bond Agreement"), unless otherwise stated herein. References to Clauses and paragraphs are references to Clauses and paragraphs in the Bond Agreement.

*The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.*

### 1. BACKGROUND

The Issuer is an international offshore drilling company that provides drilling services to the oil and gas industry in the North Atlantic Region. The Issuer was listed on the New York Stock Exchange in February 2014. The issuer raised the Bond Issue in October 2013.

Seadrill Limited ("Seadrill") is the majority owner of the Issuer with 70.36% of the outstanding shares. Seadrill is a leading offshore deep water drilling company who own and operate a versatile fleet of 69 rigs that comprises drillships, jack-ups, semi-submersibles and tender rigs.

Seadrill had total operating revenues of US\$5.3bn and an EBITDA of US\$2.8bn in 2013. Total assets amounted to US\$26.3bn on a fully consolidated basis. Seadrill is registered in Bermuda and is listed on the New York Stock Exchange and the Oslo Stock Exchange.

The market has questioned Seadrill's support to the Issuer. Presently, the support from Seadrill is implied due to the cross default clauses in Seadrill's loan agreements relating to majority owned subsidiaries. Seadrill and the Issuer believe that this support should be made stronger and therefore propose that Seadrill will issue a guarantee on behalf of the Issuer for the Bond Issue in exchange for some amendments to the Bond Issue's covenant package, namely replacing the Issuer's current financial covenants with Seadrill's financial covenants as explained in detail in Appendix 1 attached hereto, reflecting that the Bond Issue will be backed by a guarantee from Seadrill.

The relevant financial covenant applicable to Seadrill (in inter alia the NOK 1,800 million FRN Seadrill Limited Senior Unsecured Bond Issue 2013/2018 ISIN NO 001067314.8) and as suggested in this proposal is a Market Adjusted Equity Ratio of minimum 30%, calculated on a consolidated basis for the Seadrill group. For illustration, as per 3Q2014 Seadrill reported a Market Adjusted Equity Ratio of 42.7% to its relevant bondholders and its secured bank lenders.

## 2. PROPOSAL

In accordance with Clause 16 of the Bond Agreement, the Issuer has approached the Trustee to convene a Bondholders' Meeting in order to obtain the Bondholders' approval to the proposed amendments to the Bond Agreement as described below (the "Proposal"), pursuant to the authority given to the Bondholder's Meeting under Clause 16.1 of the Bond Agreement:

- (i) Seadrill issues an irrevocable and unconditional corporate guarantee (Norwegian: "selvskyldnergaranti") for the Bond Issue in favour of the Trustee (on behalf of the Bondholders) (the "Guarantee"). The Guarantee will extend until after the Bond Issue's Maturity Date on 30 October 2018. The Guarantee will be governed by Norwegian law and include provisions to ensure that Seadrill (as parent and guarantor) is liable for the Issuer's obligations under the amended Bond Agreement, including payment obligations at such times and in such amounts as the Issuer is liable for under the current Bond Agreement. The Guarantee can only be called upon if an Event of Default has occurred and is continuing.
- (ii) The terms of the Bond Agreement are amended in accordance with Appendix 1 hereto.
- (iii) The Trustee is authorised and instructed to do all such steps necessary on behalf of Bondholders as may be necessary in connection with implementation of the Proposal, including but not limited to negotiate and enter into the Guarantee, implementing and amending the Bond Agreement and such other documents as is necessary to implement the amendments set out in Appendix 1 hereto.

## 3. FURTHER INFORMATION

For more detailed information, please contact one of the following:

Jonas Ytreland, VP Group Treasury and Finance, Ph: +44 7765 628663, email [jonas.ytreland@seadrill.com](mailto:jonas.ytreland@seadrill.com); or

Ragnvald Kavli, CFO North Atlantic Drilling, Ph: +47 48402388, email [ragnvald.kavli@seadrill.com](mailto:ragnvald.kavli@seadrill.com).

## 4. EVALUATION OF THE PROPOSED AMENDMENTS

### 4.1 The Issuer's evaluation

It is the Issuer's opinion that the amendments proposed should be favourable to the Bondholders and improve the overall credit position of the Bondholders.

The Issuer has engaged DNB Bank ASA, DNB Markets as the Issuer's financial advisor (the "Advisor") with respect to the Proposal. Accordingly, Bondholders may contact DNB Markets Fixed Income Sales at +47 24 16 90 30 for further information.

The Advisor is acting solely for the Issuer and no-one else in connection with the Proposal. No due diligence investigations have been carried out by the Advisor with respect to the Issuer and the

Advisor expressly disclaims any and all liability whatsoever in connection with the Proposal (including but not limited to the information contained herein).

#### **4.2 The Trustee's disclaimer/non-reliance**

Nothing herein shall constitute a recommendation to the Bondholders from the Trustee. Bondholders should independently evaluate the Proposal and vote accordingly.

*The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.*

#### **5. BONDHOLDERS' MEETING:**

Bondholders are hereby summoned to a Bondholders' meeting:

Time: 5 February 2015 at 13:00 hours (Oslo time)

Place: The premises of Nordic Trustee ASA, Haakon VII gate 1, 0161 Oslo – 6<sup>th</sup> floor

#### **Agenda:**

1. Approval of the summons
2. Approval of the agenda
3. Election of two persons to co-sign the minutes together with the chairman
4. Request for adoption of the proposal:

#### **It is proposed that the Bondholders' meeting resolve the following:**

*The Proposal (as defined in the summons to this Bondholders' meeting) is approved by the Bondholders' meeting.*

\* \* \*

To approve the above resolution, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favor of the resolution. In order to have a quorum, at least 1/2 of the voting Bonds must be represented at the meeting. If the proposal is not adopted, the Bond Agreement will remain unchanged.

Please find attached a Bondholder's Form from the Security Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders' meeting. (If the bonds are held in custody – i.e. the owner is not registered directly in the VPS – the custodian must confirm; (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered).

The individual bondholder may authorize the Nordic Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorizing Nordic Trustee to vote, must then be returned to Nordic Trustee in due time before the meeting is

scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' meeting or enclose with the proxy, as the case may be, evidence which the Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the bondholder's meeting, either in person or by proxy other than to Nordic Trustee, to notify Nordic Trustee by telephone or by e-mail ([mail@nordictrustee.no](mailto:mail@nordictrustee.no)) within 16:00 hours (4pm) (Oslo time) the Banking Day before the meeting takes place.

Yours Sincerely

**Nordic Trustee ASA**

A handwritten signature in blue ink, appearing to read "Madsen S. Brødren".

Appendix 1: Amendments to the Bond Agreement

Appendix 2: Bondholder's Form

## Appendix 1

### Clause 1.1 (Definitions) of the Bond Agreement

The following definitions in Clause 1.1 (Definitions) of the Bond Agreement shall be amended so that they will read:

"**Book Equity**" means the aggregate book value (on a consolidated basis) of the Parent's total equity treated as equity in accordance with GAAP minus any senior liability or perpetual liability with a step-in treated as equity under GAAP, as set out in the then most recent Financial Statements (or, if more recent, the latest Interim Accounts).

"**Financial Statements**" means the audited consolidated annual accounts of the Parent for any financial year, drawn up in accordance with GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Board of Directors of the Parent.

"**Interim Accounts**" means the unaudited consolidated management accounts of the Parent as of each Quarter Date, such accounts to include a profit and loss account, balance sheet, cash flow statement and management commentary.

"**Material Adverse Effect**" means an event or circumstance which has a material adverse effect on: (a) the business, financial condition or operations of the Issuer, the Parent and/or the Parent Group taken as a whole, (b) each of the Issuer's and/or the Parent's ability to perform and comply with its obligations under any of the Finance Documents or the Parent Guarantee, as the case may be; or (c) the validity or enforceability of any of the Finance Documents or the Parent Guarantee.

"**Total Assets**" means the aggregate book value (on a consolidated basis) of the Parent's total assets which are treated as assets in accordance with GAAP, as set out in the then most recent Financial Statements (or, if more recent, the latest Interim Accounts)

"**Units**" means all and any of the mobile offshore units owned by the Parent Group.

The following new definitions shall be inserted into Clause 1.1 (Definitions) of the Bond Agreement:

"**Material Subsidiary**" means:

- (i) any Subsidiary of the Parent whose total consolidated assets represent at least 5% of the total consolidated assets of the Parent Group; or
- (ii) any Subsidiary of the Parent whose total consolidated net sales represent at least 5% of the total consolidated net sales of the Parent Group; or
- (iii) any other Subsidiary of the Parent to which is transferred either (A) all or substantially all of the assets of another Subsidiary of the Parent which immediately prior to the transfer was a Material Subsidiary or (B) sufficient assets of the Parent that such Subsidiary of the Parent would have been a Material Subsidiary had the transfer occurred on or before the relevant date.

"**Parent**" means Seadrill Limited (Bermuda company no. 36832).

"**Parent Group**" means the Parent and its Subsidiaries.

"**Parent Guarantee**" means an irrevocable and unconditional corporate guarantee (Norwegian: "selvskyldnergaranti") by the Parent in favour of the Bond Trustee (on behalf of the Bondholders), to be governed by Norwegian law, pursuant to which the Parent will guarantee the Issuer's obligations under the Bond Agreement and undertake to comply with the covenants applicable to it under the Bond Agreement.

#### Clause 13.2 (Information Covenants)

Clause 13.2.1 (a), (b), (f) and (j) of the Bond Agreement shall be extended to apply to the Parent.

Clause 13.2.1 (c) and (d) of the Bond Agreement shall be deleted and Clause 13.2.1 (d) shall be left intentionally blank whilst Clause 13.2.1 (c) shall be replaced with:

*"(c) without being requested to do so, ensure that the Parent produces Financial Statements annually and Interim Accounts quarterly and make them available on the Parent's website in the English language or to the Bond Trustee for publishing on Stamdata.no, as soon as they become available, and not later than 150 days after the end of the financial year for the Financial Statements and 60 days after the end of the relevant quarter for the Interim Accounts;"*

Clause 13.2.2 will be amended to include an obligation for the Issuer to procure that the Parent provides a compliance certificate instead of a Compliance Certificate from the Issuer, whereby the Parent shall confirm its and the Issuer's compliance with covenants applicable to them.

#### Clause 13.3 (General Covenants)

Clause 13.3 (a) (Pari passu ranking) shall be amended by adding references to the Parent.

Clause 13.3 (b) (Mergers), (c) (De-mergers), (d) (Continuation of business), (e) (Disposal of business), (f) (Arm's length transactions), (g) (Corporate status), and (h) (Compliance with laws) of the Bond Agreement shall be amended by adding references to the Parent and the Parent Group.

Further under Clause 13.3 (i) (Stock Exchange Listing) of the Bond Agreement, the Issuer shall be replaced with the Parent so that the new clause read the following:

*"The Parent shall use its best endeavours to ensure that the Parent's shares shall remain listed on NYSE or another recognised stock exchange."*

#### Clause 13.4 (Financial Covenants)

Clauses 13.4 (a) and 13.4 (b) of the Bond Agreement shall be deleted and replaced with a new Clause 13.4 reading the following:

*"Market Adjusted Equity Ratio of the Parent*

*The Market Adjusted Equity Ratio of the Parent shall be at least 30%.*

*This Financial Covenant will apply for the Parent (on a consolidated basis) at any time and will be tested on a quarterly basis as per the procedure in Clause 13.2.2."*

## Clause 15 (Events of Default)

Clause 15.1 (a) (Non-Payment), (b) (Breach of other obligations) and (h) (Impossibility or illegality) shall be amended to include references to the Parent.

Clause 15.1 (c) (Cross default) of the Bond Agreement shall be deleted and replaced by:

*"For the Parent, any Material Subsidiary or the Issuer, the aggregate of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) below exceeds a total of USD 25 million, or the equivalent thereof in other currencies;*

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;*
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);*
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or*
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described).*

Clauses 15.1 (e) (Insolvency) and (f) (Insolvency proceedings and dissolution) of the Bond Agreement to be deleted and replaced with the following new paragraph (e) (Insolvency) whilst paragraph (f) is left intentionally blank:

*"(e) Insolvency*

*The Parent, any Material Subsidiary or the Issuer is subject to:*

- (i) the suspension of payments, a moratorium of any indebtedness winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganisation,*
- (ii) a composition, compromise, assignment or arrangement with any creditor having a Material Adverse Effect,*
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or*
- (iv) enforcement of any security over any of its assets."*

Clause 15.1 (g) (Creditors' process) of the Bond Agreement shall be amended by deleting references to "Any Group Company" and replacing this with a reference to "The Issuer, the Parent or any Material Subsidiary".

Attachment 1 to the Bond Agreement shall be amended to reflect that it will be issued by the Parent on behalf of itself and the Issuer and by deleting paragraphs 4 and 5 and replacing this with a new paragraph 4 reading:

*"4. in accordance with Clause 13.4, the Market Adjusted Equity Ratio of the Parent as of [date] is [percentage]."*