SEVAN DRILLING LIMITED

INTERIM FINANCIAL REPORT
FOURTH QUARTER 2016
and
PRELIMINARY 2016

Highlights Fourth Quarter 2016

- Economic Utilization of 98.4%
- Operating revenue of USD 63.4 million
- EBITDA of USD 29.3 million
- Net loss of USD 12.1 million

Unaudited figures in USD million, except where noted	**Q4 2016**	**Q3 2016**	**Q4 2015**	**YTD 2016**	**YTD 2015**
Operating revenue	63.4	59.6	85.9	237.3	366.8
EBITDA (1)	29.3	20.2	36.9	91.3	186.8
Operating profit/(loss)	9.6	(34.0)	(178.1)	(16.6)	(83.6)
Net financial items	(16.8)	(16.9)	(15.0)	(69.0)	(67.3)
Net loss	(12.1)	(53.1)	(194.1)	(93.0)	(151.8)
EPS - basic and diluted (USD)	(0.41)	(1.79)	(6.53)	(3.13)	(5.11)
Company performance:					
Available days (2)	184	207	276	891	1,095
Technical Utilization (3)	99.3%	98.8%	98.7%	98.2%	93.6%
Economic Utilization (4)	98.4%	99.4%	91.1%	97.4%	90.8%

(1) EBITDA equals net profit/loss adding back net financial items, tax income/expense, depreciation and amortization expense and impairment expense.

(2) Available Days are the total number of operating rig calendar days in the period. A rig is operating when accepted by the customer.

(3) Technical Utilization is the actual number of revenue earning days divided by Available Days. A revenue earning day is defined as a day on which a rig earns its day rate after commencement of operations.

(4) Economic Utilization is total operating revenue, excluding bonuses, divided by total potential charter revenue for the period.

Financial performance summary

For the three months ended December 31, 2016

Operating revenue

Operating revenue was USD 63.4 million (Q4 2015: USD 85.9 million). The decrease in revenue is primarily due to the Sevan Driller being idle during Q4 2016, in addition to the Sevan Brasil operating at a lower day rate during 2016. Loss of hire revenue was recovered relating to an insurance claim for downtime events on the Sevan Louisiana in 2014, contributing USD 4.9 million of revenue. The Sevan Louisiana achieved a Q4 2016 technical utilization while on contract of 98.7% (Q4 2015: 97.6%), Sevan Brasil 99.8% (Q4 2015: 98.4%). The Sevan Driller was idle in Q4 2016, technical utilization for the days on contract in Q4 2015 was 100.0%.

Total Operating expenses

Total operating expenses were USD 53.8 million (Q4 2015: USD 264.0 million). Vessel operating expenses were USD 28.1 million (Q4 2015: USD 46.2 million). The decrease is mainly attributable to the Sevan Driller being idle during the quarter and lower operating costs due to continued cost saving initiatives across the fleet. General and administrative costs were USD 6.1 million (Q4 2015: USD 3.8 million) mainly due to higher management service fees. Depreciation and amortization was USD 19.7 million (Q4 2015: USD 18.5 million).

Net financial items

Net financial items amounted to USD 16.8 million in Q4 2016 (Q4 2015: USD 15.0 million). Interest and commitment fees on the Revolving Credit Facility (“RCF”) with Seadrill increased by USD 1.0 million. Interest expenses on the secured bank loan facility increased by USD 0.7 million. The increase on both facilities was driven by the rising LIBOR rate in 2016.

Net loss for Q4 2016 was USD 12.1 million (Q4 2015: USD 194.1 million).

For the twelve months ended December 31, 2016

Operating revenue

Operating revenue was USD 237.3 million for the twelve months ended December 31, 2016 (2015: USD 366.8 million). The decrease in revenue is primarily due to the Sevan Driller operating for three months on a well service program at a lower day rate and being idle for nine months in total for the year. The Sevan Brasil operated at a reduced day rate for the last ten months of 2016.

Total Operating expenses

Total operating expenses were USD 253.9 million (2015: USD 450.4 million). Vessel operating expenses decreased by USD 38.9 million, primarily due to lower operating costs during the idle time on the Sevan Driller in addition to continued cost savings across the fleet. General and administrative costs increased by USD 4.1 million due to additional corporate activities part of which are reflected through higher management service fees and costs from external advisor's. Depreciation and amortization was USD 70.4 million (2015: USD 73.9 million), the decrease was driven by the impairment recognized in Q3 2016.

A non-cash impairment charge of USD 37.5 million was recognized in 2016 (2015: USD 196.5 million).

Net financial items

Net financial items amounted to USD 69.0 million for the twelve months ended December 31, 2016 (2015: USD 67.3 million). Interest and commitment fees on the Revolving Credit Facility (“RCF”) with Seadrill Limited ("Seadrill") increased by USD 1.9 million. The increase is driven by the rising LIBOR rate in 2016.

Net loss was USD 93.0 million for the twelve months ended December 31, 2016 compared to a net loss of USD 151.8 million for the comparative period in 2015.

Balance sheet

Cash and cash equivalents amounted to USD 26.0 million as of December 31, 2016 (2015: USD 42.4 million). During Q4 2016, interest and principal payments under the debt facility were USD 35.0 million. Interest payments of USD 12.2 million were made under the RCF. As of December 31, 2016, USD 185.0 million was drawn on the RCF after repayments were made in the quarter.

Operations performance summary

In Q4 2016, the Sevan Drilling rigs achieved technical utilization of 99.3% and economic utilization of 98.4%.

The Sevan Brasil achieved technical utilization of 99.8% working for Petroleo Brasileiro S.A. ("Petrobras") in Brazil. The Sevan Louisiana achieved 98.7% working for LLOG Bluewater Holdings LLC ("LLOG").

The Sevan Driller arrived in Singapore in the quarter and is undergoing preservation and planning activities.

The Sevan Developer remained ready for delivery (warm stacked) at the Cosco shipyard in China. In October 2016, the third six-month option period to extend the deferral period to April 15, 2017 was exercised. As part of the extension USD 26.3 million was refunded and the delivery installment was amended to USD 499.7 million. Sevan Developer continues to be marketed for an acceptable drilling contract where financing can be obtained to allow delivery.

At February 28, 2017 the fleet's contracted backlog revenue is USD 157 million, excluding options.

Other items

During the second quarter of 2015, Sevan Drilling initiated an internal investigation regarding activities involving an agent under the Company's drilling contracts with Petrobras in Brazil. These contracts were entered into prior to the separation from the Sevan Marine Group and the subsequent listing in May 2011. The Company continues its investigation into the activities dating back to the separation from Sevan Marine. Reference is made to Note 10 of the interim financial statements for further details.

Outlook

The short to medium term outlook for chartering market continues to be extremely challenging. While tendering activity has continued at increased levels over the past few months, especially in the North Sea, near term drilling programs continue to be largely based on opportunistic spot market activity and a number of oil companies continue to have excess rig capacity on contract. Available work is fiercely competitive with drilling contractors bidding below cash breakeven in some instances in order to keep rigs active.

On the positive side, the longer term leading indicators appear to be heading in the right direction. While the level of exploration and production capital expenditures are expected to be down again in 2017, more recent surveys of oil companies are reflecting less reduction than was previously anticipated and expenditure increases are still expected for each successive year during the period 2018-2020. Break-even costs for offshore fields have fallen significantly and many more are now at or below current oil prices, which have remained above $50/bbl since the OPEC agreement in early December 2016.

The Company has deferred the Sevan Developer delivery period to April 15, 2017 and retains the ability to refund the last installment of $26.3 million and terminate the agreement if a contract is not secured to support financing of delivery costs. We continue to evaluate alternatives for the rig and remain in discussions with the Cosco shipyard regarding the last installment balance.

The Sevan Driller arrived in Singapore in December 2016 and remains idle. It is undergoing preparation and preservation activities, while the Company is evaluating commercial opportunities and the bilge keel extension upgrade.

Refinancing Update

Seadrill Limited, our largest shareholder, updated the market in January 2017 that it is targeting reaching an agreement on a consensual, comprehensive restructuring by April 30, 2017. Discussions continue with stakeholders and potential new money investors, however given the status of those discussions, Seadrill Limited has indicated that it will be challenging to finalize a fully consensual agreement before April 30, 2017, which is the maturity date of the West Eminence facility and also a milestone under the bank facility amendments entered into in April 2016. In the event an agreement to extend this maturity date is not reached or a consensual restructuring agreement is not otherwise reached, Seadrill Limited is also preparing various contingency plans, including potential schemes of arrangement or chapter 11 proceedings.

Sevan Drilling is a part of Seadrill Limited's restructuring plan and any agreement or amendments Seadrill Limited reaches with Sevan Drilling's lenders will be provided through a formal proposal for the Company to consider. In the event a consensual restructuring agreement or an agreement to extend the April 30, 2017 milestone is not reached, we are also preparing various contingency plans, including potential schemes of arrangement or chapter 11 proceedings.

February 28, 2017
The Board of Directors
Sevan Drilling Limited
Hamilton, Bermuda

Questions should be directed to Sevan Drilling Management AS represented by:
Scott McReaken, Chief Executive Officer

Interim and Preliminary 2016 financial statements

Consolidated Statement of profit or loss

Unaudited figures in USD million	Note	Three months ended December 31, 2016	Three months ended December 31, 2015	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Operating revenue		**63.4**	**85.9**	**237.3**	**366.8**
Operating expense		(28.1)	(46.2)	(125.4)	(164.3)
General & administrative expense		(6.1)	(3.8)	(19.2)	(15.1)
Depreciation and amortization	4	(19.7)	(18.5)	(70.4)	(73.9)
Impairment	4	—	(196.5)	(37.5)	(196.5)
Foreign exchange gain/(loss) related to operations		0.1	1.0	(1.4)	(0.6)
Total operating expense		**(53.8)**	**(264.0)**	**(253.9)**	**(450.4)**
Operating profit/(loss)		**9.6**	**(178.1)**	**(16.6)**	**(83.6)**
Financial expense	5	(16.8)	(15.0)	(69.0)	(67.3)
Net financial items		**(16.8)**	**(15.0)**	**(69.0)**	**(67.3)**
Loss before tax		**(7.2)**	**(193.1)**	**(85.6)**	**(150.9)**
Tax expense		(4.9)	(1.0)	(7.4)	(0.9)
Net loss		**(12.1)**	**(194.1)**	**(93.0)**	**(151.8)**
Attributable to:					
Equity holders of the Company		(12.1)	(194.1)	(93.0)	(151.8)
Earnings per share for loss attributable to the equity holders of the Company during the period (USD per share):					
Basic and diluted		(0.41)	(6.53)	(3.13)	(5.11)

Consolidated Statement of Comprehensive Income

Unaudited figures in USD million	Note	Three months ended December 31, 2016	Three months ended December 31, 2015	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Net loss		(12.1)	(194.1)	(93.0)	(151.8)
Items that may be reclassified to profit or loss					
Foreign currency translation		—	(0.1)	—	—
Total comprehensive loss		**(12.1)**	**(194.2)**	**(93.0)**	**(151.8)**
Attributable to:					
Equity holders of the Company		(12.1)	(194.2)	(93.0)	(151.8)

Interim financial statements (continued)

Consolidated Balance Sheet

Unaudited figures in USD million	Note	As at December 31, 2016	As at December 31, 2015
ASSETS			
Drilling rigs	4	1,410.9	1,565.5
Other fixed assets	4	0.2	0.6
Other non-current assets	6	1.4	14.7
Total non-current assets		**1,412.5**	**1,580.8**
Inventories		51.4	51.3
Trade and other receivables	7	65.2	79.2
Cash and cash equivalents		26.0	42.4
Total current assets		**142.6**	**172.9**
Total assets		**1,555.1**	**1,753.7**
EQUITY			
Share capital		3.0	3.0
Share premium		713.5	713.5
Other equity		(403.6)	(310.6)
Total equity		**312.9**	**405.9**
LIABILITIES			
Non-current portion of bank borrowings	5	801.2	937.7
Other non-current liabilities		—	1.7
Total non-current liabilities		**801.2**	**939.4**
Trade and other payables		25.0	38.0
Current portion of bank borrowings	5	134.0	134.6
Current portion of loan from related party	5	185.0	170.0
Other current liabilities	8	97.0	65.8
Total current liabilities		**441.0**	**408.4**
Total liabilities		**1,242.2**	**1,347.8**
Total equity and liabilities		**1,555.1**	**1,753.7**

Interim financial statements (continued)

Consolidated Statement of Changes in Equity

Unaudited figures in USD million	Share Capital	Share Premium	General Reserve	Equity Settled Employee Benefits Reserve	Retained Earnings	Total Equity
Equity as at January 1, 2015	**108.6**	**666.0**	**280.0**	**2.4**	**(499.3)**	**557.7**
Net loss	—	—	—	—	(151.8)	**(151.8)**
Capital decrease of Sevan Drilling ASA	(108.5)	—	—	—	108.5	**—**
Parent Migration	2.9	47.5	(280.0)	—	229.6	**—**
Equity as at December 31, 2015	**3.0**	**713.5**	**—**	**2.4**	**(313.0)**	**405.9**
Equity as at January 1, 2016	**3.0**	**713.5**	**—**	**2.4**	**(313.0)**	**405.9**
Net loss	—	—	—	—	(93.0)	**(93.0)**
Expiration of share options	—	—	—	(2.4)	2.4	**—**
Equity as at December 31, 2016	**3.0**	**713.5**	**—**	**—**	**(403.6)**	**312.9**

Interim financial statements (continued)

Consolidated Cash Flow Statement

Unaudited figures in USD million	Note	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Cash flows from operating activities			
Cash from operations		104.2	130.8
Interest paid	5	(49.4)	(45.7)
Net cash generated from operating activities		**54.8**	**85.1**
Cash flows from investment activities			
Purchases of property, plant and equipment and other non-current assets		(1.1)	(18.5)
Refund of yard installment		57.7	29.0
Net cash flow generated from investment activities		**56.6**	**10.5**
Cash flows from financing activities			
Proceeds from interest-bearing debt	5	85.0	95.0
Repayment of interest-bearing debt	5	(210.0)	(180.0)
Debt fees paid		(3.3)	—
Net cash flow used in financing activities		**(128.3)**	**(85.0)**
Net cash flow for the period		**(16.9)**	**10.6**
Foreign Exchange on Cash and Cash Equivalents		0.5	1.6
Cash balance at beginning of period		42.4	30.2
Cash balance at end of period		**26.0**	**42.4**

Notes to the Interim and Preliminary 2016 financial statements

Note 1 - Organization and basis of preparation

General information - Sevan Drilling Limited

Sevan Drilling Limited (the "**Company**") and its subsidiaries (the Company and the subsidiaries collectively referred to as the "**Group**") is an international offshore drilling contractor specializing in the ultra-deepwater segment.

Sevan Drilling Limited was incorporated in Bermuda under the Companies Act on December 20, 2013 as an exempted company limited by shares. Its shares of common stock have been listed under the symbol "SEVDR" on the Oslo Stock Exchange (Oslo Børs).

The Group has three ultra-deepwater drilling rigs in operation (the Sevan Driller, Sevan Brasil, and Sevan Louisiana) and a fourth (the Sevan Developer) waiting delivery. Sevan Brasil is operating under a contract with Petrobras in Brazil expiring in July 2018. Sevan Louisiana is operating under a contract with LLOG Bluewater Holding LLC ("LLOG") expiring in May 2017. Sevan Driller concluded its most recent contract in July 2016 and is mobilizing to Asia where it will remain idle and actively marketed.

The Sevan Developer delivery period has been deferred until April 15, 2017, following agreements concluded in Q4 2014 and most recently amended in October 2016. Under the current deferral agreement delivery can be extended a further six months at the Group's option up to October 2017.

Basis of preparation

The consolidated financial statements include the assets and liabilities of the Company, its majority owned and controlled subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. Effective June 30, 2016 Sevan Drilling ASA was recapitalized as a wholly owned subsidiary of the group and continues to be consolidated.

These consolidated financial statements as at and for the three and twelve months ended December 31, 2016 (the "**Interim Financial Statements**") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all disclosures that would be required in a complete set of financial statements and should be read in conjunction with the 2015 Annual Report.

The Interim Financial Statements have been prepared on a historical cost basis. The Group's financial instruments consist of cash, trade receivables, trade payables, and bank borrowings measured at amortized cost with variable interest rates. Management believes that the carrying value, excluding financing fees, approximates fair value for all the Group's financial instruments excluding bank borrowings. Please see note 5 Financing activities for further details.

The Interim Financial Statements are prepared on a going concern basis.

The Group's liquidity requirements relate to servicing debt amortizations, interest payments, and funding working capital requirements. Sources of liquidity include existing cash balances, revenues and availability of the RCF. The Company has historically relied on the cash generated from operations to meet working capital needs, and on funding provided by its majority shareholder Seadrill Limited. The Company's bank facility is guaranteed by Seadrill, and cross default clauses exist between this facility and Seadrill's other credit facilities. The outstanding balance of the bank facility as at December 31, 2016 is USD 944.9 million of which USD 140.0 million is classified as current liabilities.

As a result of the downturn in the offshore drilling industry, Seadrill will be required to secure additional liquidity to fully meet its short term liquidity requirements over the next twelve months and build a bridge to recovery in the market. We expect a formal proposal to Sevan Drilling as part of Seadrill's restructuring.

The Group's going concern assumption is based on management's expectation that Seadrill's refinancing program will be completed successfully, however the timing and outcome of this process is inherently uncertain.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2015 Annual Report. The Interim Financial Statements are unaudited and were approved by the Board of Directors on February 28, 2017.

Note 2 - Results of the interim period

During the three months ending December 31, 2016, the Group earned USD 63.4 million of revenue from the operation of Sevan Brasil in Brazil and Sevan Louisiana in the US Gulf of Mexico.

Total operating expenses for Q4 2016 were USD 53.8 million. Vessel operating expenses in Q4 2016 amounted to USD 28.1 million, which result from rigs operating under contracts. General and administrative costs were USD 6.1 million and depreciation and amortization were USD 19.7 million.

As the Group's revenue and operating expenses are based on contractual day rates, the Group is not exposed to significant fluctuations in revenue and expense as a result of seasonality or cyclicality under its contracted periods.

Net financial items in Q4 2016 amounted to USD 16.8 million and included amortization of deferred financing costs, interest expense, and commitment and guarantee fees. The Group performed its obligations under its bank facility and the RCF in Q4 2016.

The Group repaid USD 35.0 million of principal on the current bank facility during the period. No draw downs were made on the RCF. The closing cash and cash equivalents were USD 26.0 million at December 31, 2016.

Note 3 - Segment information

Basis of segmentation

The Board of Directors of the Company, which is identified as the chief operating decision maker in the Group ("**CODM**"), aggregates the rigs into a single reporting unit representing the fleet as a whole.

The CODM evaluates the operating results of each rig but is primarily focused on the results of the overall fleet with a focus on several key metrics at the Group level, including revenue, operating profit, EBITDA and utilization rates.

Note 4 - Property, plant and equipment

The rigs are aggregated for reporting purposes as they all provide the same service, have the same production process, are marketed to the same customer base, are based on the same design/ use the same methods to provide their services and operate in the same regulatory environment. The rigs form a single global fleet and each rig can be redeployed to other locations based on demand.

Property, Plant and Equipment

Unaudited figures in USD million	**Construction in process (CIP)**	**Units in operation (UIO)**	**Drilling rigs**	**Other fixed assets**	**Total fixed assets**
As at December 31, 2015					
Cost	95.2	2,037.1	2,132.3	9.7	2,142.0
Accumulated impairment	—	(298.1)	(298.1)	—	(298.1)
Accumulated depreciation	—	(268.7)	(268.7)	(9.1)	(277.8)
Net book value	**95.2**	**1,470.3**	**1,565.5**	**0.6**	**1,566.1**
As at December 31, 2016					
Cost	37.5	2,047.7	2,085.2	9.7	2,094.9
Accumulated impairment	—	(335.6)	(335.6)	—	(335.6)
Accumulated depreciation	—	(338.7)	(338.7)	(9.5)	(348.2)
Net book value	**37.5**	**1,373.4**	**1,410.9**	**0.2**	**1,411.1**
Twelve months ended December 31, 2016					
Beginning net book value	**95.2**	**1,470.3**	**1,565.5**	**0.6**	**1,566.1**
Additions	—	10.6	10.6	—	10.6
Refund from yard	(57.7)	—	(57.7)	—	(57.7)
Depreciation charge	—	(70.0)	(70.0)	(0.4)	(70.4)
Impairment	—	(37.5)	(37.5)	—	(37.5)
Ending net book value	**37.5**	**1,373.4**	**1,410.9**	**0.2**	**1,411.1**

The closing net book values of the Company's drilling units were as follows:

Unaudited figures in USD million	**As at December 31, 2016**	**As at December 31, 2015**
Rig net book value		
Sevan Driller	381.3	408.0
Sevan Brasil	494.0	511.6
Sevan Louisiana	498.1	550.7
Sevan Developer	37.5	95.2
Total	**1,410.9**	**1,565.5**

Sevan Developer - construction in progress

In October 2014, the Group entered an agreement with Cosco to defer the delivery date for 12 months with options to extend the date for subsequent periods of 6 months until October 2017. At the end of the deferral period and if options to extend are not exercised, the construction contract will terminate and the remaining USD 26.3 million initial investment will be refunded and the investment impaired. Refund guarantees have been provided for the full deferral period. Delivery will occur if and when a contract that can support financing of the final delivery installment is secured.

Sevan Drilling Rig VI Pte Ltd has the option to cancel the construction contract on each of the deferred delivery dates. Cosco will, in such case, refund the remaining installments paid under the construction contract. Cosco provided Sevan Drilling Rig VI Pte Ltd security through bank refund guarantees, effective for the 36 month potential deferral period beginning in October 2014.

Sevan Developer will remain in China at the Cosco Shipyard and the Company will continue marketing the rig for an acceptable drilling contract where financing can be obtained to allow delivery.

Impairment Analysis

The Company reviews the carrying amounts of its tangible assets at the end of each reporting period to determine whether there is any indication that those assets may be impaired. The net asset value of the Group exceeded its market capitalization as at December 31, 2016. This is identified as an indicator of impairment of assets. As a result, each of the Group's rigs was, as of December 31, 2016 identified as a cash-generating unit and tested for impairment.

The recoverable values of the rigs were calculated using an income method discounted cash flow. The key assumptions applied for the purpose of impairment testing of rigs in operation include discount rate and expected future cash flows. To discount the future cash flows, management used a post-tax weighted average cost of capital (WACC) of 11%. Estimated future cash flows are based on the Group's five-year forecast and utilize several assumptions including forecasted operational expense, operational taxes, utilization (94%) and dayrates (low USD 200k's per day with recovery to mid USD 400k's per day by 2021).

Dayrates are based on current contract amounts for the remaining contract term. The underlying assumptions and assigned probabilities of occurrence for utilization and dayrate scenarios beyond contracted periods were developed using a methodology that examines historical data for each rig, which considers the rig's age, rated water depth and other attributes and then assesses its future marketability in light of the current and projected market environment at the time of assessment. Other assumptions, such as operating, maintenance and inspection costs, are estimated using historical data adjusted for known developments and future events that are anticipated by management at the time of the assessment. Management's assumptions are necessarily subjective and are an inherent part of our asset impairment evaluation, and the use of different assumptions could produce results that differ from those reported. Management's assumptions involve uncertainties about future demand for our services, dayrates, expenses and other future events, and management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially alter our analysis in testing an asset for potential impairment.

No impairment has been recognized in the three months ending December 31, 2016.

Based on sensitivity analyses performed, the Company believes that reasonable movements in the key assumptions could result in a further impairment loss to be recognized. Thus there is a possibility the Group may recognize an impairment in the following year if the facts underlying the key assumptions change over the coming year. An increase in the WACC of 100 basis points to 12% would result in an impairment of approximately USD 27.1 million, and a reduction of expected market rates in the re-contract years of 5% would result in an impairment of approximately USD 22.1 million over the whole fleet.

Note 5 - Financing activities

In September 2013, the Group entered into a USD 1,750 million secured bank loan facility with ING as agent for a syndicate of lenders. The facility was composed of a USD 350 million export credit facility provided by GIEK and a USD 1,400 million commercial facility provided by a syndicate of several commercial banks. The commercial facility had two tranches. Tranche A in the amount of USD 1,400 million (USD 200 million GIEK and USD 1,200 million commercial) and Tranche B in the amount of USD 350 million (USD 150 million GIEK and USD 200 million commercial).

Tranche A was drawn in October 2013 and used to, inter alia, refinance existing debt at the time. Tranche B was intended to be used to finance the delivery installment for Sevan Developer, and was cancelled in Q4 2014 as a consequence of the agreement made with Cosco to defer delivery of Sevan Developer. Upon delivery, new financing will have to be secured to cover the final installment. The availability of such financing is expected to depend on a satisfactory drilling contract having been secured for Sevan Developer and lending capacity at the time.

The GIEK tranche is extended to September 2023 and incurs interest on the amounts outstanding at a rate of LIBOR + 2.5%, payable quarterly in arrears. The commercial tranche matures in September 2018 and incurs interest on the amounts outstanding at a rate of LIBOR + 2.9%, payable quarterly in arrears. If the commercial tranche is not refinanced satisfactorily after 5 years then the GIEK tranche also becomes due.

The Company's bank credit facility is guaranteed by Seadrill, in exchange for the financial covenants being measured at the Seadrill consolidated level. Seadrill charges a guarantee fee of 1.0% per annum on amounts drawn.

Effective December 29, 2014 the Revolving Credit Facility ("**RCF**") with Seadrill was increased to USD 300 million and on April 28, 2016 it was extended to December 31, 2017. As a result the RCF has been reclassified as a current liability in the quarter. The RCF is secured with second priority in the Group's assets and incurs interest on drawn amounts at a rate of LIBOR + 6.0% (+5.5% previously), payable quarterly in arrears. There is a commitment fee of 2.4% (2.2% previously) per annum on the undrawn balance of the RCF.

Financing Activities						
Unaudited figures in USD million	GIEK Tranche	Commercial Tranche	Loan fees	Total bank facility	RCF with Seadrill	Total
As at December 31, 2015						
Principal outstanding	151.3	933.6	(12.6)	**1,072.3**	**170.0**	**1,242.3**
Current portion	21.7	118.3	(5.4)	**134.6**	**170.0**	**304.6**
Non-current portion	129.6	815.3	(7.2)	**937.7**	—	**937.7**
Undrawn facility (available for utilization)	—	—	—	**—**	**130.0**	**130.0**
Twelve months ended December 31, 2016						
Additional drawdowns	—	—	—	**—**	85.0	**85.0**
Additional loan fees	—	—	(3.3)	**(3.3)**	—	**(3.3)**
Amortization of deferred financing costs[1]	—	—	6.2	**6.2**	—	**6.2**
Principal repayments	(21.6)	(118.4)	—	**(140.0)**	(70.0)	**(210.0)**
Interest payments	(2.1)	(35.0)	—	**(37.1)**	(12.3)	**(49.4)**
As at December 31, 2016						
Principal outstanding	129.7	815.2	(9.7)	**935.2**	**185.0**	**1,120.2**
Current portion	21.7	118.3	(6.0)	**134.0**	**185.0**	**319.0**
Non-current portion	108.0	696.9	(3.7)	**801.2**	**—**	**801.2**
Undrawn facility (available for utilization)	—	—	—	**—**	**115.0**	**115.0**

[1] Deferred financing costs were recognized on the bank facility as a whole and not allocated to the individual tranches

As at December 31, 2016 the fair value of borrowings has been determined using the discounted cash flow method using a discount rate that reflect the non-performance risk.

	As at December 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings	1,120.2	1,039.7	1,242.3	1,242.3

	Three months ended December 31,		Twelve months ended December 31,	
Unaudited figures in USD million	2016	2015	2016	2015
Financial expense				
Interest expense	9.0	8.3	37.3	37.2
Amortization of finance fees	1.6	1.5	6.2	6.5
Interest on RCF, commitment and guarantee fees to Seadrill	6.2	5.2	25.5	23.6
Total	**16.8**	**15.0**	**69.0**	**67.3**

Note 6 - Other non-current assets

Unaudited figures in USD million	As at December 31, 2016	As at December 31, 2015
Net late delivery penalties	0.6	1.3
Net mobilization expense	0.3	12.2
Other non-current assets	0.5	1.2
Total	**1.4**	**14.7**

Note 7 - Trade and other receivables

Unaudited figures in USD million	As at December 31, 2016	As at December 31, 2015
Trade receivables	46.1	67.3
Other receivables	19.1	11.9
Total	**65.2**	**79.2**

Note 8 - Other current liabilities

Unaudited figures in USD million	As at December 31, 2016	As at December 31, 2015
Income and gross revenue tax payable	5.4	0.2
Other taxes payable	7.4	6.0
Related party payable	67.7	45.3
Other current liabilities	16.5	14.3
Total	**97.0**	**65.8**

Note 9 - Related party activities

Balances and transactions between the entities within the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Seadrill has guaranteed the bank facility referred to in Note 5. Seadrill is also providing the RCF (in the amount of USD 300 million) of which USD 185 million was outstanding as of December 31, 2016 (December 31, 2015: USD 170 million). Seadrill charged the Group interest on the RCF and guarantee and commitment fees in a total amount of USD 6.2 million and USD 25.5 million during the three and twelve months ended December 31, 2016 respectively.

As a consequence of being responsible for the day-to-day operation of the Group's rigs, Seadrill entities incur direct costs on behalf of the Group. Seadrill also provides executive services, management support and administrative services to the Group. The total fees charged for operating and management services were USD 8.3 million and USD 33.6 million for the three and twelve months ended December 31, 2016.

The Group had a total current liability (including the commitment, guarantee and management fees mentioned above) of USD 67.5 million (December 31, 2015: USD 45.3 million) to Seadrill.

North Atlantic Drilling provides executive services to Sevan, the total fees charged were USD Nil and USD 0.4 million for the three and twelve months ended December 31, 2016. The Group had a total current liability of USD 0.2 million to North Atlantic Drilling as at December 31, 2016 (December 31, 2015: USD Nil).

The Group has a current asset of USD 0.3 million with North Atlantic Drilling (December 31, 2015: USD 0.2 million) and USD 0.2 million with Seadrill (December 31, 2015: USD Nil).

Note 10 - Contingencies

In 2011, Sevan Drilling was separated out from the 100% ownership of Sevan Marine ASA and listed separately on the Oslo Stock Exchange. On October 16, 2015, Sevan Marine ASA issued an Oslo Stock Exchange notice advising that its Board had received a report from external counsel it had engaged to investigate allegations of improper conduct related to historical contracts with Petrobras. Sevan Marine handed over the report to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime ("ØKOKRIM"). The report concluded that it was more likely than not that illegal conduct had occurred, in the form of improper payments to obtain business, when Petrobras awarded contracts to subsidiaries of Sevan Marine ASA between 2005-2008.

Against this background, the Company reports that Sevan Drilling ASA has been accused of breaches of Sections 276 a and 276 b of the Norwegian Criminal Code in respect of payments made in connection with the performance during 2012 to 2015 of drilling contracts originally awarded by Petrobras to subsidiaries of Sevan Marine ASA in the period between 2005-2008. In connection with the accusation, ØKOKRIM has performed a search and seizure in the Company's offices. The Company is co-operating with the authorities in identifying and making available all documents, which the authorities consider relevant.

The Company has also voluntarily approached the Brazilian authorities with regard to these matters. The Company’s own investigation into these matters is ongoing but to date has uncovered no evidence of improper conduct by the Company.

We cannot predict the scope or ultimate outcome of the ØKOKRIM investigation. We also cannot predict whether any other governmental authority will seek to investigate this matter, or if a proceeding were opened, the scope or ultimate outcome of any such investigation. As a result no loss contingency has been recognized in the Company’s consolidated financial statements.

Note 11 - Events after balance sheet date

The Group has evaluated subsequent events after the balance sheet date through the date the accompanying Consolidated Financial Statements became available to be issued. There have been no significant subsequent events not described herein.